

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BRAZIL

**SÃO PAULO DOWNTOWN RENEWAL PROGRAM
(PROCENTRO)**

(BR-0391)

LOAN PROPOSAL

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BASIC SOCIOECONOMIC DATA

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<http://www.iadb.org/RES/index.cfm?fuseaction=externallinks.countrydata>

ABBREVIATIONS

ANHEMBI	Anhembi Turismo e Eventos da Cidade de São Paulo [City of São Paulo Tourism and Events Agency]
CET	Companhia de Engenharia de Tráfego [Traffic Engineering Company]
COHAB	Companhia Metropolitana de Habitação de São Paulo [Metropolitan Housing Company of São Paulo]
DA	Direção Administrativo, EMURB [Administrative Directorate]
DD	Direção do Desenvolvimento, EMURB [Development Directorate]
DF	Direção Financeira, EMURB [Financial Directorate]
DO	Direção de Obras, EMURB [Works Directorate]
EA	environmental assessment
EMURB	Empresa Municipal de Urbanização de São Paulo [Municipal Urban Development Corporation]
HRP	housing rental program
INDES	Instituto Interamericano para el Desarrollo Social [Inter-American Institute for Social Development]
IPTU	Imposto sobre a Propriedade Predial e Territorial Urbana [urban property tax]
IRZ	integrated rehabilitation zone
ISS	Imposto sobre Serviços [services tax]
MSP	Município de São Paulo [Municipality of São Paulo]
PMSP	Prefeitura do Município de São Paulo [São Paulo Municipal Government]
PR	Presidencia, EMURB [Office of the President]
RIV	relatório de impacto de vizinhança [neighborhood impact report]
RMSP	Região Metropolitana de São Paulo [Metropolitan Region of São Paulo]
SAS	Secretaria Municipal de Assistência Social de São Paulo [Municipal Social Welfare Department]
SEHAB	Secretaria Municipal de Habitação de São Paulo [Municipal Housing Department]
SEMAB	Secretaria Municipal de Abastecimento de São Paulo [Municipal Supply Department]
SEMPLA	Secretaria Municipal do Planejamento Urbano de São Paulo [Municipal Urban Planning Department]
SGA	Sistema de Gestión Ambiental [environmental management system]
SGM	Secretaria do Governo Municipal de São Paulo [Municipal Administration Department]
SIURB	Secretaria de Infra-Estrutura Urbana de São Paulo [Department of Urban Infrastructure]
SMC	Secretaria Municipal de Cultura de São Paulo [Municipal Department of Culture]
SMDTS	Secretaria do Desenvolvimento, Trabalho e Solidariedade de São Paulo [Municipal Department of Development, Labor and Solidarity]

SMSU	Secretaria Municipal de Segurança Urbana de São Paulo [Municipal Department of Urban Security]
SMT	Secretaria Municipal de Transportes de São Paulo [Municipal Department of Transportation]
SNJ	Secretaria dos Negócios Jurídicos de São Paulo [Department of Legal Affairs]
SPTRANS	São Paulo Transportes [São Paulo Transportation Company]
SSO	Secretaria de Serviços e Obras de São Paulo [Department of Services and Works]
SVMA	Secretaria do Verde e o Meio Ambiente de São Paulo [Department of Green Areas and the Environment]
USP	Universidade de São Paulo [University of São Paulo]
VAT	value added tax
VP	Vicepresidencia, EMURB [Office of the Vice-President]



BRAZIL

IDB LOANS

APPROVED AS OF JULY 31, 2003

	US\$Thousand	Percent
TOTAL APPROVED	25,022,697	
DISBURSED	20,972,237	83.81 %
UNDISBURSED BALANCE	4,050,460	16.18 %
CANCELATIONS	1,444,260	5.77 %
PRINCIPAL COLLECTED	8,463,559	33.82 %
APPROVED BY FUND		
ORDINARY CAPITAL	23,333,517	93.24 %
FUND FOR SPECIAL OPERATIONS	1,558,545	6.22 %
OTHER FUNDS	130,635	0.52 %
OUTSTANDING DEBT BALANCE	12,508,678	
ORDINARY CAPITAL	12,130,973	96.98 %
FUND FOR SPECIAL OPERATIONS	377,334	3.01 %
OTHER FUNDS	371	0.00 %
APPROVED BY SECTOR		
AGRICULTURE AND FISHERY	1,004,385	4.01 %
INDUSTRY, TOURISM, SCIENCE AND TECHNOLOGY	6,248,382	24.97 %
ENERGY	2,426,775	9.69 %
TRANSPORTATION AND COMMUNICATIONS	3,938,078	15.73 %
EDUCATION	877,670	3.50 %
HEALTH AND SANITATION	3,023,486	12.08 %
ENVIRONMENT	639,163	2.55 %
URBAN DEVELOPMENT	2,471,960	9.87 %
SOCIAL INVESTMENT AND MICROENTERPRISE	2,927,820	11.70 %
REFORM AND PUBLIC SECTOR MODERNIZATION	1,068,898	4.27 %
EXPORT FINANCING	294,977	1.17 %
PREINVESTMENT AND OTHER	101,103	0.40 %

* Net of cancellations with monetary adjustments and export financing loan collections.



Inter-American Development Bank
Regional Operations Support Office
Operational Information Unit

Brazil

Tentative Lending Program

2003

Project Number	Project Name	IDB US\$ Millions	Status
*BR0407	Banco Bradesco	50.0	APPROVED
BR0391	Downtown São Paulo Rehabilitation Procentro	100.0	
*BR0411	Unibanco - Trade Financing Facility	50.0	
*BR0398	Novatrans Energy	36.0	
BR0324	Ceara Sanitation Program	100.0	
BR0375	Urban Transportation Curitiba II	80.0	
*BR0395	Termonorte	59.2	
*BR0401	Bandeirante Investment Program	44.0	
BR0302	Fortaleza Urban Transport	85.2	
*BR0370	Campos Novos Hydroelectric Power Project	75.0	
BR0373	Culture and Citizenship for Social Inclusion	20.0	
*BR0402	Tele Norte Leste Bond Guarantee (Telemar)	75.0	
BR0396	Env. Rehabilitation of the Paraibuna River- Juiz de Fora	17.5	
BR0372	São Paulo Fiscal Administration	15.0	
BR0397	Sanitation and Environmental Rehabilitation Belo Horizonte	42.5	
Total - A : 15 Projects		849.4	
BR0378	Promotion of Ethics and Defense of Public Patrimony	3.0	
*BR0367	Termoacu Co-Generation Power Project	25.0	
*BR0412	Braskem	75.0	
*BR0413	Ulbra University and Hospital Project	42.3	
Total - B : 4 Projects		145.3	
TOTAL 2003 : 19 Projects		994.7	

2004

Project Number	Project Name	IDB US\$ Millions	Status
BR0390	Porto Alegre Environmental Recovery	75.0	
BR0400	Sao Bernardo do Campo Urban Transportation	165.0	
BR0318	Tourism Development Program for the South of Brazil (PRODETUR SUL)	200.0	
BR0376	Environmental Improvement Program for Amapa	21.0	
BR0254	Florianopolis-Osorio Highway Moderniz.	322.0	
BR1001	Supporting Innovation in Food and Agriculture Research	N/A	
BR0403	External Control Modernization Program States	38.6	
BR0405	States and DF Administration Modernization I - PNAGE	93.0	
BR0392	Cadaster and Land Regularization Program	65.0	
Total - A : 9 Projects		979.6	
BR0369	Sector Program	500.0	
BR0266	New Irrigation Model	90.0	
BR0358	Financing of PYMES	1,000.0	
		1,590.0	

	Total - B : 3 Projects	
	TOTAL - 2004 : 12 Projects	2,569.6
	Total Private Sector 2003 - 2004	531.5
	Total Regular Program 2003 - 2004	3,032.8
* Private Sector Project		



BRAZIL

STATUS OF LOANS IN EXECUTION AS OF JULY 31, 2003

(Amount in US\$ thousands)

APPROVAL PERIOD	NUMBER OF PROYECTS	AMOUNT APPROVED*	AMOUNT DISBURSED	% DISBURSED
<u>REGULAR PROGRAM</u>				
Before 1997	14	3,678,000	3,208,012	87.22 %
1997 - 1998	11	1,426,965	596,899	41.83 %
1999 - 2000	11	1,620,173	358,005	22.10 %
2001 - 2002	17	2,641,400	1,256,745	47.58 %
<u>PRIVATE SECTOR</u>				
1999 - 2000	2	98,700	74,479	75.46 %
2001 - 2002	2	100,186	81,190	81.04 %
TOTAL	57	\$9,565,424	\$5,575,330	58.29 %

* Net of cancellations. Excludes export financing loans.

SÃO PAULO DOWNTOWN RENEWAL PROGRAM (PROCENTRO)

(BR-0391)

EXECUTIVE SUMMARY

Borrower and guarantor:	Municipality of São Paulo (MSP) Federative Republic of Brazil	
Executing agency:	Empresa Municipal de Urbanização (EMURB) [Municipal Urban Development Corporation]	
Amount and source:	IDB (OC):	US\$100.4 million
	Local:	US\$ 67.0 million
	Total:	US\$167.4 million
Financial terms and conditions:	Amortization period:	25 years
	Grace period:	6 years
	Disbursement period:	6 years (minimum 3)
	Commitment period:	5 years
	Interest rate:	variable (Libor)
	Inspection and supervision:	1%
	Credit fee:	0.75%
	Currency:	U.S. dollar, Single Currency Facility
Objectives:	The objective of the program is to promote economic and social development with diversity in downtown São Paulo. The purpose is to spur development and create conditions that will attract and support activities compatible with the metropolitan downtown area, fostering urban renewal, environmental remediation, and social mainstreaming.	
Description:	The program will finance four components that correspond to the central elements of the municipality's strategy to improve the city's efficiency and the quality of life of users of the downtown area: (i) reversal of the decline in downtown property values; (ii) transformation of the economic profile; (iii) restoration of the urban environment; (iv) improvement in urban transport and circulation; and a fifth component for institutional strengthening of the municipality.	

Direct investment (US\$158.6 million)

- a. **Reversal of the decline in downtown property values and recovery of the residential function** (US\$28.9 million), which includes three subcomponents: (i) preparation of proposals for urban development bylaws: contracts will be financed to prepare

master plans for the Sé and Mooca Precincts to provide the stable regulatory environment needed for real estate investors to resume investing in residential and nonresidential buildings for service industries; (ii) investments to finance strategic works to rehabilitate large urban areas that will lead to change in use of the downtown core; and (iii) the “Morar no Centro” [Live Downtown] program which will finance: (a) rehabilitation of buildings for residential use for low-income families, through leases with the option to buy; (b) comprehensive habitat rehabilitation zones to improve certain blocks in run-down districts in the central area; (c) a pilot program for low-cost rental housing based on the reclamation of abandoned buildings to benefit very low-income families and individuals; (d) temporary housing for street families, while they are given assistance in finding a permanent housing solution; (e) urban development of a slum, with social action, including the construction of housing for people who have to be resettled; and (f) a demand stimulus program for pioneer families interested in living downtown.

- b. **Transformation of the economic profile** (US\$19.2 million). This component includes actions to promote local economic development by establishing incentives to renew the productive fabric and attract high-technology service industries. The following will be financed: (i) the creation of a mechanism for coordination with the private sector; (ii) publicity about the program and its results; and (iii) the regularization of informal businesses and assistance for vulnerable groups and groups living in extreme poverty in the downtown area.
- c. **Restoration of the urban environment** (US\$62.9 million). This component will support actions to improve maintenance and upgrade public spaces and dilapidated monuments and buildings. The following will be financed: (i) management of operations and maintenance, which includes the development and introduction of modern instruments to manage equipment, infrastructure and public urban spaces; (ii) upgrading of public spaces, which includes works to rehabilitate urban infrastructure and green areas, and the reorganization of specialized commercial streets; (iii) rehabilitation of buildings, including historic buildings; (iv) flood control works, such as the construction of storm drains and flood detention ponds; and (v) solid waste management, including recycling construction debris, trash sorting and urban cleaning projects.
- d. **Transport and circulation** (US\$38.5 million). This component will support reforms in the municipal public transportation system, works and the procurement of equipment. The following will be financed: (i) institutional strengthening, including studies

to create regulatory bodies for the public transportation system, strengthening of São Paulo Transportes (SPTRANS) [São Paulo Transportation Company] in its new roles, and development of a methodology to consolidate the database on public transportation planning; (ii) improvements in traffic circulation and accessibility, including better capacity and safety of the downtown pedestrian infrastructure; (iii) public transportation, which includes the construction of infrastructure for structural and radial lines; and (iv) traffic operations, including electronic equipment to control and monitor traffic, such as intelligent traffic lights.

- e. **Institutional strengthening for the municipality** (US\$9.1 million). This component will build up the capacity of the municipality's institutions, complementing the program's specific components, and will finance strengthening of the urban planning system, and the relocation of municipal agencies to the downtown area.

Administration and supervision (US\$7.8 million)

Financing for general administration and support for program execution, which includes the contracting of consulting services for program management, the design and implementation of the program monitoring system, annual evaluations and the ex post program evaluation, and a firm of independent auditors for the program's accounting and financial audits.

The Bank's country and sector strategy:

The Bank's activities in Brazil focus on: (i) modernization of the State, (ii) competitiveness, (iii) poverty, (iv) the environment, and (v) regional integration. In the area of modernization of the State, the Bank will offer further support for administrative and fiscal modernization, on the federal, state and municipal levels. In the area of competitiveness, efforts will be made to invest more heavily in infrastructure and establish suitable regulatory frameworks. The fight against poverty includes the introduction and deepening of reforms in the social sectors and urban and municipal development. Last, in the area of the environment, the Bank stresses urban sanitation, the treatment of solid waste and a reduction in environmental pollution.

The Bank's strategy for development on the lower levels of government establishes that it will support the countries in implementing the reforms and institutional strengthening required to establish efficient and democratic local governments able to carry out the following functions: (i) promote economic development in their jurisdictions; (ii) deliver services to ensure the good quality of life of the population and improve social and territorial equity in the distribution of the benefits of development; and (iii) provide essential

infrastructure for the public well-being and for stepped-up economic activities.

The program is consistent with both strategies, since it will help to improve the standard of living by increasing the efficiency, quality and equity of the services delivered in the downtown area, promote local economic development, reduce traffic congestion and provide flood control in the city core, with the consequent improvement in the environment.

**Coordination
with
international
organizations:**

There are no programs being financed by other international organizations in the project area. The Bank is the only international organization involved in the financing.

**Environmental
and social
review:**

The program consists of social, institutional and infrastructure activities with a positive impact taken together and separately. Urban environmental degradation and flooding will be reduced, urban cleanliness will improve, green areas will become larger, with the consequent increase in soil permeability, and air and visual pollution will be reduced. The program's environmental and social strategy (ESS) will mitigate any potential negative impacts and ensure compliance with the pertinent laws and regulations. An environmental assessment was prepared under the ESS, which contains strategic and programmatic elements for the project as a whole, and specific elements for each work.

In the social area, the project team considered progress and past experience in participative decision-making and management processes that are being implemented by the municipal government. For the design and definition of the general structure of the program and its strategy, the São Paulo municipal government undertook a process of consultation with residents and users of the city core which identified their main concerns regarding the downtown area and their main recommendations on projects for the area.

Benefits:

The benefit of the program is the **economic and social development** of downtown São Paulo, through the attraction, promotion and maintenance of economic activities compatible with a rehabilitated city core.

The program will **promote and broaden social inclusion** downtown, benefiting groups that are traditionally forgotten or excluded. The program will consolidate the **participative model** for decision making used by the municipal government, deepening its achievements and developing its social capital.

Risks:

Achieving the program's goals depends on the **sustainability** of the process of urban renewal. The political risk will be reduced through

extensive participation by the different groups that are representative of users of the downtown core, building consensus and a sense of ownership. To that end, the AçãoCentro executive council will be established in EMURB, which will act as liaison between the government and citizens, to unite public and private agents through the common agenda for downtown urban renewal.

There is an institutional risk linked to EMURB's capacity to coordinate the other subexecuting agencies and the private sector to ensure the benefits materialize. The keys to mitigating this risk are EMURB's over 30 years of experience in executing projects of this kind, establishment of the executive council, and strengthening of EMURB to act as coordinator.

Other key activities included in the program will be financed exclusively from the local counterpart. Although the MSP is in a solid financial position, in the event of difficulties with the timely availability of the counterpart, actions that are not financed from the prospective loan will be given priority.

One important component for the success of the program is the change in municipal legislation applicable to the downtown area through the preparation of master plans for the Sé and Mooca Precincts, which will be submitted to the MSP's deliberating council. Since the government party has the majority on the council and there is intensive citizen participation in program decisions, the risk that the new legislation will not be approved is minimal.

**Special
contractual
clauses:**

Conditions precedent to the first disbursement: (i) evidence that the municipal decree delegating powers to EMURB to operate as the program executing agency has come into force (paragraph 3.5); (ii) evidence that a program management office and the downtown development agency technical group have been created in EMURB's Development Directorate (paragraph 3.6); (iii) evidence that the contracts between EMURB and Anhembi Turismo e Eventos da Cidade de São Paulo [City of São Paulo Tourism and Events Agency], Companhia Metropolitana de Habitação de São Paulo [Metropolitan Housing Company of São Paulo] (COHAB), Companhia de Engenharia de Tráfego [Traffic Engineering Company] (CET), and São Paulo Transportes [São Paulo Transportation Company] (SPTRANS) has come into force (paragraph 3.25); and (iv) the program Operating Regulations have come into force (paragraph 3.26).

Conditions precedent to each competitive bid for works and equipment or, where no bid is required, before the start of the works or the purchase of equipment, will be presentation to the Bank of: (i) evidence of compliance with applicable environmental

laws in force, and that any required public hearing process is complete; and (ii) the detailed design for the works and, when requested, the involuntary resettlement plan prepared in accordance with Bank policies (paragraphs 3.27 and 3.35).

Other conditions: The loan contract will also include conditions on: (i) the establishment and operations of the AçãoCentro executive council (paragraph 3.8); (ii) reimbursements of expenditures from the loan and cost recognition from the counterpart (paragraph 3.40); (iii) semiannual progress reports (paragraph 3.42); (iv) annual program evaluation reports (paragraph 3.43); (v) presentation for the Bank's nonobjection of the baseline to be used for program evaluation (paragraph 3.44); (vi) mid-term evaluation (paragraph 3.45); and (vii) ex post evaluation (paragraph 3.48).

Poverty-targeting and social sector classification:

This operation qualifies as a social equity enhancing project, as described in the indicative targets mandated by the Bank's Eighth Replenishment (document AB-1704). This operation does not qualify as a poverty-targeted investment (PTI) (see paragraph 4.23).

Exceptions to Bank policy:

For the reasons set out in paragraph 3.40, it is proposed that, as an exception to the new operations policy OP-504, the previous policy OP-504 apply to this operation.

Procurement:

The selection and contracting of consulting services will be carried out in accordance with the Bank's standard procedures. International competitive bidding will be used for contracts with consulting firms over US\$200,000 equivalent. Price may be used as a selection criterion for consulting firms, in accordance with document GN-1679-3. When consulting firms are selected on the basis of technical quality and price, the relative weight of price as an evaluation criterion may not exceed 20 percent and the technical proposal may not be less than 80 percent.

I. FRAME OF REFERENCE

A. The municipality and the metropolitan region

- 1.1 With a population of 10.4 million, the city of São Paulo forms the core of one of the largest metropolitan areas in the world, with a total of 18 million people and 39 municipalities. Together with the port of Santos, greater São Paulo forms the largest industrial, financial and services complex in Brazil. Owing to the importance of its foreign trade and since it is home to the state of São Paulo's stock exchange—one of the world's largest financial markets—the area is also the epicenter of the globalization process in Brazil.
- 1.2 The municipality of São Paulo generates approximately 3 million formal jobs and, economically, its weight is much greater than that of many countries. Its GDP for 2000 of an estimated US\$85 billion accounts for close to 14 percent of Brazil's GDP. The municipality is the center of the Metropolitan Region of São Paulo (RMSP) which, in turn, is the center of the state of São Paulo and the Brazilian economy.

- 1.3 In the last decade, the region underwent a major economic transformation and an equally important change in space, as Table I-1 shows. The economic transformation can be summarized in a single phrase: from 1990-2000, the RMSP lost in net terms, more than 60,000 jobs. In that period, almost half of its industrial jobs (600,000) disappeared, reflecting a large-scale and rapid process of deindustrialization caused, among other things, by higher productivity, legislation to prevent pollution, better labor relations in other parts of the state and the country, and the alternative use of urban land.

Table I-1			
Jobs	Municipality	Rest of the RMSP	RMSP
Industrial jobs			
1990	910,000	606,000	1,516,000
2000	482,000	454,000	936,000
Nonindustrial jobs			
1990	2,592,000	584,000	3,176,000
2000	2,730,000	965,000	3,695,000
Total employment			
1990	3,502,000	1,190,000	4,692,000
2000	3,212,000	1,419,000	4,631,000
Population			
1990	9,839,000	5,530,000	15,369,000
2000	10,434,000	7,445,000	17,879,000

- 1.4 This drastic reduction in industrial employment was compensated for by an increase in the number of nonindustrial jobs. Over the decade, close to 450,000 jobs were added in service industries. However, total employment in the RMSP declined by 1.3 percent, while the population grew by 16.3 percent (less than in the past and lower than in the rest of the country), accompanied by a reduction in the number of formal jobs. Also, the decline of close to 24 percent in revenues from the VAT in constant values in the RMSP over the period 1993-2000, indicates a drop in per capita GDP.

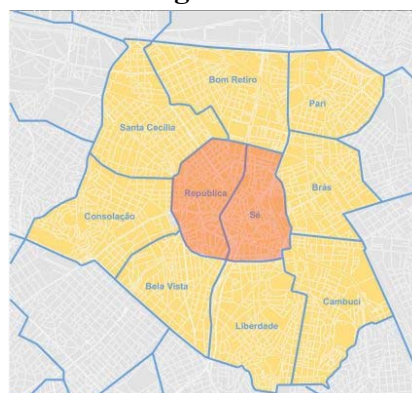
- 1.5 The transformations have had a much greater impact on the municipality of São Paulo (MSP) than on the metropolitan region. This can be seen in all the indicators available. Total employment fell by more than 8 percent in contrast with 1 percent in the RMSP, despite the fact that the municipality specialized in the fastest growing sectors at the start of the decade. Deindustrialization of the municipality was more intense (-47 percent) than in the metropolitan region (-39 percent) and the switchover to service industries was slower (5 percent vs. 16 percent), which led to an estimated 50,000 street vendors and 40,000 people living in the streets, unable to find jobs in the formal labor market. The result was a vicious circle in which the MSP ended up losing its position as a pole of attraction in the RMSP over the last decade, with people and companies leaving it to move to the outlying municipalities.
- 1.6 The economic transformation described is closely linked to spatial changes that facilitated or speeded it up. The operation of the land market, coupled with the scarcity of land for construction, has led to the development of the outlying areas (urban sprawl) as a mechanism to house a growing population. This change in the space of São Paulo affected the economic efficiency and productivity of the whole area, making the RMSP less attractive and precipitating its economic decline. Accordingly, the decisions taken on rehabilitation of downtown São Paulo will affect the spatial structure of the area and help to revitalize the economy of the metropolitan region.

B. Downtown São Paulo

1. Definition of the downtown area

- 1.7 Downtown São Paulo has two definitions: (i) an institutional definition that corresponds to the central area (the Sé Precincts) which includes 10 districts that provide nearly 900,000 formal jobs and house 400,000 people; and (ii) the traditional center or old city, where São Paulo was founded, and includes the Sé and República districts, with close to 70,000 inhabitants and 300,000 formal jobs, a floating population of 2 million people/day, destination of 29 percent of the city's public transportation, 65 percent of the population earning less than 10 minimum wages, 30 percent of the street population (3,500 people) and 30 percent of street vendors. The downtown, defined as the old city, is in crisis, suffering more than the rest of the municipality from the effects of the economic transformation and sprawl, losing population and jobs in recent decades.

Figure I-1



2. Demographic and economic reasons for the abandonment of the downtown area

- 1.8 In addition to the changes in the city's economy and migration to less-densely populated areas which is typical of large metropolises, the 1972 zoning law and master plans that promoted high-rise building in other parts of the city in the quest to create other cores, and the law on the protection of historic buildings and areas (streets, squares, etc.) made it impossible to renovate the built-up area, leading high- and middle-income families to abandon the downtown. This led to the migration of economic and social activities with high returns, compounded by the problems mentioned below.

3. Main problems that led to the abandonment of the downtown area

a. Drop in property values and loss of the resident population

- 1.9 Abandonment of the downtown area by high- and middle-income families, the fact that no land was available for new buildings, the obsolescence of existing buildings and the zoning law led to a drop in property values and a loss of residential function in the old city over the last three decades. This devaluation is mirrored in lower urban property tax (IPTU) assessments, as can be seen in Table I-2, despite the increase in the rate from 3.5 percent to 5 percent, and in the existence of close to 42,000 unoccupied or abandoned property units in the central area, 12,000 of them in the city core.

Table I-2
IPTU assessed as a percentage of the total
for the city

	1996	2001	Change 2001/1996
Sé	1.07	0.94	- 12%
República	1.6	1.3	- 19%
Central area	14.4	13.1	- 9%

- 1.10 Despite the existence of modern infrastructure (including optic cable), the city core, which was home to 33 percent of the population in 1940, housed just 4 percent in 2000. Over the last decade, 100,000 people moved out at a rate of 2.5 percent a year, equivalent to a reduction in the number of families (-1.5 percent) and household size (-1 percent). Streets that had traditionally been mixed in use, squares and other public spaces empty out completely after working hours. This loss of residential function has negative implications for the vitality of the urban fabric, optimum use of installed infrastructure, and safety in the downtown area after business hours.

b. Changes in the economic and social profile

- 1.11 Despite the fact that institutions such as (i) the São Paulo stock exchange, the commodities and futures exchange and stock brokers; (ii) the courts and law firms; and (iii) financial and insurance institutions have remained in the city center, the downtown area is losing some institutions, which have moved to other

neighborhoods seeking more sophisticated demand and more modern buildings that allow them to connect globally.

- 1.12 This process translates into high vacancy rates in nonresidential buildings and the replacement of outgoing businesses by businesses that add less commercial value

and less sophisticated manufactures and informal businesses, as can be seen in the lower revenues from the services tax (ISS) shown in Table I-3. This has had a sharp economic and social impact on the center of the city. The economic impact was the result of the drop in the values of tax assessments in the area. The social impact

was the result of the occupation of empty spaces by street vendors and by people who live in the streets or who use street resources for their survival—women with babies, children and teenagers, the elderly and the disabled who live off begging or petty crime—who share the public spaces. The public sees their presence as a threat to its personal safety and avoids the areas, creating a vicious circle that is difficult to break.

Table I-3
ISS collected as a percentage of the total
for the city

	1996	2001	Change 2001/1996
Sé	3.2	2.8	- 12.5%
República	4.4	2.6	- 40.9%
Central area	22.0	19.9	- 9.5%

- 1.13 Studies conducted by the São Paulo municipal government indicate that today, there are approximately 5,000 street vendors in the downtown area and just slightly more than 1,200 of them are licensed by the municipality to ply their trade. Most have little education and few labor skills and, therefore, little access to a better-paying job. Furthermore, there are nearly 4,000 people who live on the streets and who account for nearly half of all the city's street people.

- 1.14 More than their poverty, it is their social exclusion that demands the attention of existing municipal services. These people have no access to income, housing, education, health care or nutrition and, owing to the situation of insecurity created by living in the streets, they mistrust the public services that do reach them. The different situations in which formal and informal businesses, the excluded and the included, coexist in the city core leads to tension and insecurity for those who live or work there.

c. Degradation of the urban environment

- 1.15 Degradation of the urban environment in the city center is related to: (i) poor air quality mainly caused by emissions from the more than 600,000 private vehicles that carry half of the two million people who travel to the downtown area each day; (ii) poor drainage owing to the age of the system and its inability to handle the growing amounts of rainwater runoff caused by the fact that so much of the land has been paved over, as can be seen in one of the main downtown streets in Figure I-3; (iii) poor public cleanliness owing to restrictions on the circulation of garbage trucks during the day and the problems caused by street vendors who

produce trash and whose stalls are obstacles to street sweeping; (iv) the lack of greenery owing to the selection of species that were not suited to the area, predatory use of space, and lax legislation regarding minimum green spaces; and (v) inadequate maintenance owing to the lack of capacity for management and planning, specialized equipment and qualified personnel.

d. Problems with transportation and circulation

- 1.16 Downtown São Paulo is the destination of almost 1.2 million trips a day (8 percent of trips in the municipal area) representing travel there by about 2 million people. However, the existing system offers poor quality access to the core and mobility within it, owing to the inefficient structure and operation of its two main modes—public transportation and pedestrian traffic.
- 1.17 The main access to the downtown area is defined by a concentric radial structure of streets, marked by a clockwise route and a counter-clockwise route which, although they facilitate the flows of passengers who cross through the downtown, do not facilitate access to it. The converging radial flows congest the clockwise route and restrict intersector connections in the central area.
- 1.18 Also, the configuration of pedestrian zones in the historic center and the new center makes it difficult for vehicle connections between the areas. This excessive ‘pedestrianization’ which restricts the entry of automobiles to the downtown area is mentioned as one of the reasons for moving out. There is also the problem of the lack of parking space in the different central areas. In the historic center alone, 11,000 spaces are needed.

4. The views of social groups regarding problems in the downtown area

- 1.19 Given the stress placed by the current municipal government on the use of participative management and decision-making mechanisms, the MSP has developed an organized process of public consultations seeking to learn the views of different social groups with an interest in the downtown area (entrepreneurs, grass-roots organizations, representatives of different groups that live and work downtown and municipal employees).

- 1.20 This participative exercise demonstrated that different segments of society agreed on the problems faced by the city core, particularly the general concern with getting people to move back

Table I-IV		
Entrepreneurs	Grass-roots organizations	Municipal employees
Neglect by the municipal government	Lack of low-cost housing	Loss of cultural meaning
Lack of identity	Expulsion of poor people	Feeling of insecurity
Loss of the residential function	Streets are deserted at night	Poor quality of life
Lack of government planning vision	Abandoned buildings	Loss of the residential function
1972 zoning law	Lack of urban cleaning and trash collection	Absence of government
Lack of parking	Confusion of cars, vendors and pedestrians	Lack of identity

there to live as one of the key elements for the area's rehabilitation, and the need for a more active municipal government presence in providing services, particularly maintenance, cleaning and security.

- 1.21 The consultation process has also provided significant support for the formulation of a general strategy that the municipal government intends to use to guide short-, medium- and long-term actions to renew the city core, which are described below.

C. The municipality's and the Bank's sector strategy in the country

1. The municipality

- 1.22 To address the problems described above and reverse the exodus from the downtown area, with its negative impact on the municipal economy, and aware that rehabilitation of the city center is a long-term process, the city will begin with projects in Sé and República, based on the master strategic plan approved in 2002. In terms of actions and projects in the city core and the recommendations of a study contracted by the São Paulo municipal government,¹ the municipality has formulated a strategy based on an optimum integrated scenario—which simultaneously considers the dynamics of the business, cultural and housing sectors for all levels of income and infrastructure—that seeks to maximize the benefits of the program, measured as an increase in the GDP of the RMSP, of which the municipality is the largest beneficiary (close to 70 percent).
- 1.23 The strategy also guides the municipality in the best ways of making the most of the development opportunities that will arise once the program begins, in conjunction with the private sector, as proposed in another study financed by the São Paulo municipal government² that considers four interrelated lines of action: (i) reversion of the decline in downtown property values and recovery of the residential function; (ii) transformation of the economic and social profile by reorganizing the social and economic use of public space in the city core in order to create conditions that will attract new businesses downtown, mainly high technology service industries; (iii) restoration of the urban environment; and (iv) improvement in transportation and the circulation of vehicles, pedestrians and freight.

a. Reversal of the decline in property values and recovery of the residential function

- 1.24 A series of actions intended to repopulate the city center, with a mix of social groups in an attempt to minimize the process of gentrification, is an important part of the municipality's urban policy to restrain growth in the suburbs, with the

¹ Rémy Prud'homme, "Estimating the benefits of rehabilitation of São Paulo downtown".

² Alfredo M. Garay, "Creación de una Agencia de Desarrollo del Centro".

associated costs, and a strategic element for the rehabilitation and sustainability of the downtown area.

b. Change in the economic and social profile

- 1.25 The creation of a mechanism for coordination with the private sector inside the Empresa Municipal de Urbanização de São Paulo (EMURB), which is responsible for implementing the strategy, with a view to advertising the advantages of the downtown area and attracting private investment, is a fundamental part of the strategy for the economic transformation of downtown São Paulo and, thus, for its rehabilitation.
- 1.26 Also, the Municipal Department of Development, Labor and Solidarity (SMDTS) and the Social Welfare Department (SAS) have each been carrying out separate actions to assist and provide services for street vendors and street people. These actions, services and programs, which should be coordinated, are crucial elements in the strategy to reverse the process of social exclusion that affects part of the city. Steps will be taken to promote jobs and income, to regularize informal businesses and to offer incentives for the renewal of the productive fabric, through the installation of nonpolluting microenterprises and small businesses and high technology service industries, which are an important part of the municipality's strategy to rehabilitate the core, promoting economic development with diversity.
- 1.27 This work includes programs developed by the SAS that target different age groups, following the life cycle from infancy to old age, to bring about the social reintegration of people who live or work in the streets; and programs developed by the SMDTS, that stress the different skills and capabilities of street vendors for rejoining the workforce and legalizing their activities.
- 1.28 The establishment of the Municipal Department of Urban Security (SMSU) in 2002 responds to concerns with violence prevention and citizen education. This department's programs propose to deal with violence and public security in the city through the mobilization of social capital, using existing civil society associations and organizations such as *Viva o Centro* or creating instruments and forums for discussion, preparing action proposals and taking decisions, such as the establishment of community committees whose responsibilities include supervision of the metropolitan civil guard. The efforts of the SMSU to improve public security underline the need for training and equipment for the guards to enable them to protect public property and provide effective assistance for citizens.

c. Restoration of the urban environment

- 1.29 Restoration of the urban environment is one of the pillars of the strategy to change the economic profile and functions of the city center and the quality of life of the people who live and work downtown and use the city core.

d. Improvement in transportation and circulation

- 1.30 Reversal of transportation and circulation problems requires restructuring of the city's transportation system, including a reform of the concession system to reduce the number of buses circulating in the city and movements of goods and services. The priority given to pedestrians and collective transportation, particularly in the access corridors and in the downtown area itself, and the formulation of parking policies are basic guidelines for the restructuring to be introduced.

e. Institutional strengthening for the municipality

- 1.31 As part of the strategy to rehabilitate the city core, the São Paulo municipal government finds it necessary to take some actions whose benefits are not just restricted to the city center but are extrapolated to other areas, such as the relocation of municipal institutions to the center, training for municipal employees and the development and introduction of information, planning, operating and maintenance systems that can be replicated throughout the city.

2. The Bank

- 1.32 The Bank's strategy for subnational development, approved by the Board of Executive Directors in May 2001, establishes that it will support the countries in implementing the reforms and institutional strengthening required to establish efficient and democratic local governments able to carry out the following functions: (i) promote economic development in their jurisdictions; (ii) deliver services to ensure good quality of life for the population and improve social and territorial equity in the distribution of the benefits of development; and (iii) provide essential infrastructure for the public well-being and for stepped-up economic activities.

Table I-5
BANK ACTION IN BRAZIL

The Bank's activities in Brazil focus on five main areas: (i) modernization of the State, (ii) competitiveness, (iii) poverty, (iv) the environment, and (v) regional integration. In the area of modernization of the State, the Bank will offer further support for administrative and fiscal modernization, on the federal, state and municipal levels. In the area of competitiveness, steps will be taken to increase investments in infrastructure and establish suitable regulatory frameworks. The fight against poverty includes the introduction and deepening of reforms in the social sectors and urban and municipal development to improve the efficiency, equity and quality of public services. Last, in the area of the environment, the Bank stresses urban sanitation, the treatment of solid waste and a reduction in environmental pollution in general.

- 1.33 The program is consistent with both strategies, since it will help to improve the standard of living by improving the efficiency, quality and equity of the services delivered in the downtown area, promote local economic development, reduce traffic congestion and provide flood control in the city core, with the consequent improvement in the environment.

D. Coordination with other international agencies

- 1.34 There are no projects being financed by other international organizations in the project area. The Bank is the only international organization involved in the financing.

E. Lessons learned

- 1.35 Although the Bank has not previously financed integrated urban renewal programs of the kind proposed in this document, it has financed operations to rehabilitate historic districts, transportation in metropolitan areas and assistance for vulnerable groups. These experiences, particularly with regard to institutional mechanisms for execution and delivery of services targeted to the low-income population, were taken into account in designing this operation.
- 1.36 Successful experiences in public-private cooperation in projects involving the historical center of Quito (EC-0169) and urban renewal in Montevideo (UR-0112) were used to design a mechanism to encourage the private sector to set up businesses in the city core. The Curitiba urban transportation project (BR-0209), an international example of an urban transportation model, was used in the design of the reforms to the collective transportation system in São Paulo, mainly with respect to the concession system. The lessons learned from programs to support the housing sector and for slum improvement in different Latin American countries were used in designing the mechanism for low-cost rental housing, where civil society organizations collect the rent and maintain the buildings. The international lessons presented in a study contracted by the São Paulo municipal government were also incorporated.³
- 1.37 The operation also considered the Bank's experience in programs to assist vulnerable groups and, in particular, the lessons learned from integrated urban programs. The Rio de Janeiro urban improvement program (BR-0182), the urban development program for low-income settlements (BR-0250) and the Rosario Habitat slum improvement program (AR-2062), among others, which include assistance for vulnerable groups in the context of global multiple-works programs are worth mentioning. The synergy from this combination means that investments have a greater impact on the living conditions of the target population and complementary actions of this kind help to confront the many faces of poverty.
- 1.38 With a view to including best international practices alongside Bank experience, in August 2002 the Bank sponsored a seminar in São Paulo, with the participation of international experts to revise the municipality's plans for the downtown area, to confirm that they are consistent with successful experiences in cities such as London, New York, Barcelona, Buenos Aires and Paris.

³ Stephen Sheppard, "Rental Housing in São Paulo", May 2003.

- 1.39 The seminar recommended that, following the example of Barcelona and Buenos Aires, São Paulo should use a public agency to implement the urban renewal program. Rather than creating a new agency for the city core, it recommended using EMURB, which has experience in the types of projects to be financed, the legal capacity to enter into partnerships with the private sector and undertake specific real estate projects, and is familiar with the mix of components that form part of an urban renewal program.

F. Value added by Bank participation

- 1.40 If the municipality does not revert the exodus from the city core, it will continue to deteriorate, generating externalities with a negative impact on the economy of the RMSP and the city, in particular. The program, which is described in Chapter II, is important in that it supports the strategy for a comprehensive response by the municipal government to the demand expressed by the formal and informal sectors for selective incentives, investments with social returns, and better urban planning in the MSP. The Bank's participation is also a strong spur for the authorities to start and continue the renewal process that will get under way with the program after years of discussion about the city core that did not lead to concrete actions. It will also have a catalytic effect for concerted action by the public and private sectors in undertaking a harmonious and integrated urban renewal process. The Bank's support in drawing on the lessons learned internationally will add credibility to the continuity of the renewal process.

II. THE PROGRAM

A. Objectives

- 2.1 The objective of the program is to promote economic and social development with diversity in downtown São Paulo. The purpose is to spur development and create conditions that will attract and support activities compatible with the metropolitan downtown area, fostering urban renewal, environmental remediation, and social mainstreaming.

Figure II-1

B. Program description

- 2.2 Consistent with best international practices, the proposed program will finance four interdependent components that correspond to the central elements of the municipality's strategy to improve the city's efficiency and the quality of life of users of the downtown area and a fifth component on institution-building: (i) reversal of the decline in downtown property values; (ii) transformation of the economic profile; (iii) restoration of the urban environment; (iv) improvement in urban transport and traffic; and (v) strengthening of municipal institutions.



1. Direct investment (US\$158.6 million)

a. Reversal of the decline in downtown property values and recovery of the residential function (US\$28.9 million)

- 2.3 This component will generate the incentives needed to reverse the processes of property devaluation and attract residents back to the city center. Three subcomponents have been identified:
- a. **Preparation of proposals for urban legislation.** Contracts for master plans for the Sé and Mooca Precincts will be financed to provide the stable regulatory context needed for real estate investors to resume investing in residential buildings and nonresidential buildings for service industries, with modern installations, and to stimulate demand for properties in the city center.
 - b. **Urban development projects.** Strategic works to rehabilitate large urban areas that will lead to change in use of the downtown core will be financed, including the renewal and reform of Dom Pedro II Park with the work on the San Vito

building, and the architectural studies and designs of projects to redevelop the grain and wood zones in the eastern part of the park in an area that is extremely well suited for intelligent buildings for offices and residences.

- c. **Live Downtown** will finance: (i) a housing rental program with local counterpart resources, through the Caixa Econômica Federal, which includes the rehabilitation of buildings for residential use, for families whose income is between three and six minimum wages, through leases with the option to buy; (ii) comprehensive habitat rehabilitation zones to improve certain blocks in run-down districts in the central area where slum housing proliferates, which will help to improve the habitat and the coverage and quality of urban infrastructure and social services; (iii) as an experimental project, a low-income rental program to benefit only those families and individuals with incomes below three minimum wages through the construction of small buildings on interstitial lots, renovation of abandoned buildings for residential use, and the purchase of apartments in existing buildings using local counterpart funds; (iv) with funds from the local counterpart, temporary housing to shelter families from risk zones or families living in the streets, until they can be assisted in obtaining a permanent housing solution (owned or rented); (v) development of the Favela do Gato, including the construction of housing for resettled families, urban infrastructure, community equipment and actions to create jobs and income; and (vi) an incentive program to encourage middle-income families and individuals to move downtown, including campaigns to publicize the advantages of living downtown, identification and information on housing supply and demand in the area, and the installation of builders with technology for the rehabilitation and modernization of buildings.

**b. Transformation of the economic and social profile
(US\$19.2 million)**

- 2.4 This component will include actions to promote local economic development through the creation of incentives to renew the productive fabric, including nonpolluting microenterprises and small businesses, seeking to create a pole of attraction for high technology companies in service industries. The subcomponents to be financed are:

- a. **Creation of a mechanism for coordination with the private sector.** A business window will be created in EMURB. This will finance the adaptation of installations, procurement of equipment, training for the personnel involved in relations with the private sector in areas such as negotiation, finance, local development, business promotion, contracting of consultants specializing in local development and business promotion, development of a business information system, etc.

- b. **Publicity for the program.** Will finance publicity for the program and its results in the media.
- c. **Regularization of informal businesses and assistance for vulnerable groups.** Will finance a series of actions to ensure that the process of rehabilitating the city center contributes to the social inclusion of the very poor who live and work in the downtown streets. The actions include: (i) **actions to build social inclusion working in the downtown streets**, with the objective of coordinating and consolidating the SAS's activities to provide assistance throughout life—from infancy to old age—for individuals and families. These actions focus on families, women with babies, children and teenagers in the street and senior citizens. They include street educators, operational bases for support and social programs in city squares to facilitate approaching these people and directing them to the services offered by the MSP; activities to provide shelter and services, including the rehabilitation of spaces already used as shelters that provide beds, medical attention, training, assistance for children, etc, and activities to upgrade spaces and for social reintegration at centers established for street workers such as cardboard collectors, for youths and adolescents, for single women with children and for senior citizens, where education and training are combined with activities to promote coexistence and citizenship. (ii) **Regulation, upgrading and counseling for street vendors in the city center** to benefit street vendors. Financing will be provided to establish a roll of street vendors; to grant microcredits (local counterpart) for the purchase and installation of kiosks in public spaces set aside by the Sé Precinct, or for equipment and furniture for commercial premises identified by the street vendors themselves; to make training grants to vendors who want to get out of the streets; to conduct public awareness campaigns about the negative fiscal impact of informal business; to create a one-stop shopping reference center for informal workers; to provide technical and legal advice on establishing cooperatives and microenterprises; etc. (iii) **Safe downtown program**, to reduce the climate of insecurity, with support of the community civic committee. The construction of community posts for the metropolitan civil guard will be financed, to be used for preventive community policing and the protection of public property, in addition to training, equipment acceptable to the Bank, vehicles and uniforms for the municipal guards who will work in the city center.

c. Restoration of the urban environment (US\$62.9 million)

- 2.5 This component will support actions to improve maintenance, upgrade public spaces and rehabilitate monuments and buildings. The following subcomponents have been identified:
- a. **Management of operations and maintenance.** Financing will be provided to develop and introduce modern tools to manage the operation and maintenance of equipment, infrastructure and urban public spaces, rehabilitate the physical

installations of the Sé Precinct and purchase equipment and vehicles needed for its functions.

- b. **Upgrading of public spaces.** Works will be financed to rehabilitate and renew urban equipment and infrastructure, sidewalks, green areas, illumination of buildings and monuments, signage, the shopping circuit (stops, terminals, roads) and the reorganization of specialized commercial streets.
- c. **Rehabilitation of buildings.** Financing will be provided for the rehabilitation and refurbishing of historic buildings, including changes in use and the restoration of facades. As part of the activities to retrieve and inform the public about the city's history, the Mario de Andrade Library, the municipal market, the Martinelli buildings, the Palace of Industry and the Casa de las Retortas will be remodeled to house the city museum and a conference center. Two buildings at the site where the city was founded (Casa No. 1 and the Solar de la Marquesa) will be rehabilitated as the municipal theater museum.
- d. **Flood control.** Financing will be provided for the construction of storm drains and two flood detention ponds.
- e. **Solid waste.** Financing will be provided for a project to recycle construction debris and a project for waste sorting and urban cleaning.

d. Transportation and circulation (US\$38.5 million)

- 2.6 This component will support reforms in the municipal public transportation system, in addition to providing works and equipment. The following subcomponents will be executed.

- a. **Institutional strengthening.** The following will be financed: (i) studies to establish regulatory agencies for the integrated public transportation system, including their powers, organizational structure and the transition model; (ii) strengthening of SPTRANS to assume its new roles in the new legal framework for the sector; and (iii) development of a methodology to consolidate the database for public transportation planning.
- b. **Circulation and accessibility.** Improvements in the capacity and safety of the pedestrian infrastructure will be financed in areas of special interest for the program, by widening sidewalks, providing pavement markings and road signs and public lighting.
- c. **Public transportation.** Financing will be provided for the construction of infrastructure for the structural lines (exclusive or preferential lanes, terminals, transfer stations and stops), giving the public system higher priority in the use of road space on some of the main beltways and radial approaches to the city

center, consistent with the new public transportation structure being implemented in the city.

- d. **Traffic operations.** Financing will be provided for electronic traffic control and monitoring equipment, including intelligent traffic lights, to improve traffic control on the roads on structural lines.

- e. **Institutional strengthening for the municipality (US\$9.1 million)**

- 2.7 This component will strengthen the municipality's institutional capacity, complementing the program's specific components, and will finance:

- a. **Strengthening of the municipality's urban planning system.** Financing will be provided for equipment, installations, an environmental management system, a master plan for urban greenery, environmental education and the design of the southern diagonal road, as a complement to the program to rehabilitate the city center.
- b. **Support for relocating municipal agencies to the city center.** Rehabilitation and the purchase and installation of the equipment needed to move municipal agencies to downtown buildings will be financed.
- c. **Training for social managers.** A training program in social management will be financed in the SAS, to train the staff of the MSP and nongovernmental organizations that provide social services for the São Paulo municipal government and the staff of other municipal institutions.

- 2. **Administration and supervision (US\$7.8 million)**

- 2.8 General administration and support for program execution will be financed, including the contracting of: (i) consultants to support program management; (ii) the design and implementation of the program monitoring and follow-up system; (iii) an external institution to perform the annual and ex post evaluations of the program; and (iv) a firm of independent external auditors to perform the accounting and financial audits of the executing agency and the program.

- C. **Scale, cost and financing**

- 2.9 The scaling of the program considered: (i) the spatial macroeconomic analysis, which demonstrated the need for an all-inclusive program to cover the business, housing and cultural sectors and the distribution of investments into components to maximize the program's internal rate of return; (ii) the analysis of specific projects and of a sample of projects that are typical of the sectors to be financed by the program; (iii) institutional capacity to carry out the program, measured by the action of the institutions in the identification and preparation of projects for program analysis; (iv) the need for institutional strengthening of the participating

institutions; and (v) the municipality's fiscal capacity to contribute the counterpart and repay the debt.

2.10 The following table presents a breakdown of program costs:

Table II-1
Program cost and financing
(in US\$ millions)

Cost category and type	IDB/OC	Local	Total	%
1. Direct investments	94.2	64.4	158.6	94.7
1.1 Reversal of property devaluation and recovery of residential function	19.3	9.6	28.9	17.3
1.1.1 Preparation of proposals for urban development legislation	0.1	-	0.1	
1.1.2 Urban development projects	0.2	2.7	2.9	
1.1.3 Live Downtown program	19.0	6.9	25.9	
1.2 Transformation of economic profiles	11.7	7.5	19.2	11.5
1.2.1 Creation of a mechanism for coordination with the private sector	-	0.1	0.1	
1.2.2 Program publicity	0.9	0.6	1.5	
1.2.3 Regularization of informal businesses and assistance for vulnerable groups	10.8	6.8	17.6	
1.3 Restoration of the urban environment	36.7	26.2	62.9	37.5
1.3.1 Management of operations and maintenance	1.4	3.9	5.3	
1.3.2 Upgrading public space	8.8	6.5	15.3	
1.3.3 Upgrading buildings	11.8	6.6	18.4	
1.3.4 Flood control	13.4	8.9	22.3	
1.3.5 Solid waste management	1.3	0.3	1.6	
1.4 Transportation and circulation	21.8	16.7	38.5	23.0
1.4.1 Institution building	0.4	0.2	0.6	
1.4.2 Circulation and accessibility	-	2.4	2.4	
1.4.3 Traffic operations and improvements in the road system	7.0	0.8	7.8	
1.4.4 Public transportation	14.4	13.3	27.7	
1.5 Institution building for the municipality	4.7	4.4	9.1	5.4
1.5.1 Strengthening of the urban planning system	2.6	4.0	6.6	
1.5.2 Support for relocating municipal agencies downtown	1.0	0.4	1.4	
1.5.3 Training for social managers	1.1	-	1.1	
2. Administration and supervision	5.2	2.6	7.8	4.7
2.1 Administration and supervision	4.2	2.6	6.8	
2.2 External auditing	1.0	-	1.0	
Subtotal	99.4	67.0	166.4	99.4
3. Financial costs	1.0	-	1.0	0.6
3.1 I&S	1.0	-	1.0	
Total	100.4	67.0	167.4	100.0
%	60.0	40.0	100.0	

III. PROGRAM EXECUTION

A. Borrower, guarantor and executing agency

- 3.1 The borrower will be the Municipality of São Paulo (MSP), with the guarantee of the Federative Republic of Brazil. The municipal government, considering the recommendations of the seminar mentioned in paragraph 1.39 and after studying several alternative execution mechanisms such as the establishment of a downtown development agency that would report directly to the mayor, chose the alternative of using an institution that was already operating, making the necessary adjustments, adding in the functions of a development agency, and strengthening it institutionally to carry out the new activities required by the program, principally coordination with the other subexecuting agencies and liaison with the private sector to attract investments and form partnerships for the development of real estate undertakings.
- 3.2 It has designated EMURB as the executing agency, which will perform the following functions: (i) coordination with the private sector; (ii) technical, economic, financial, institutional and environmental evaluation of the investment projects; (iii) technical support for the subexecuting agencies in project execution; (iv) supervision, follow-up and control of the projects; (v) program follow-up and monitoring; and (vi) program administration and coordination, including spending commitments and payment authorizations.

B. Program execution

1. The executing agency

- 3.3 Established by the municipality in 1971, EMURB is a public company whose purposes are economic, with legal status under private law, its own assets, administrative independence and exclusively public capital. Its purpose is to carry out urban development programs, including the redevelopment of areas in the process of change or deterioration, the development of unoccupied areas, the rehabilitation and recycling of buildings that have become run down or which are not being used for the proper purposes from the urban standpoint, the provision and economical operation of urban equipment and complementary activities, as well as providing services for the São Paulo municipal government.
- 3.4 To carry out its functions, EMURB is structured into six directorates: the office of the president, the office of the vice-president, development, works, finance and administration. The internal auditing and legal advisory sections report directly to the president. Until 2002, the Development Directorate (DD) was responsible for four large urban projects (urban operations), working in the pre-operational (project, marketing, approvals, business and community negotiations, etc.) and

- operational stages (procurement of land, execution of works, marketing the spaces, transfer of spaces to social programs, etc.). Starting in 2003, this directorate has focused its activities on the operation of the city core, execution of PROCENTRO, and the role of downtown development agency, leaving the other urban operations to the office of the vice-president.
- 3.5 The Works Directorate (DO) is responsible for contracting, administration and supervision of public works of different kinds on behalf of the MSP. The entry into force of the municipal decree naming EMURB as program executing agency will be a condition precedent to the first disbursement.
- 3.6 Responsibility for program management will lie with the Development Directorate, through a program management office to be established in it, which will be supported by a financial administration unit, a technical unit, a monitoring and evaluation unit, and one technical coordination office for each thematic area, staffed by personnel from the technical unit.⁴ A technical unit of the downtown development agency also will be established, responsible for coordinating with the private sector and identifying business opportunities. Introduction of this structure and contracting the necessary staff will be a condition precedent to the first disbursement.
- 3.7 The administrative and technical unit will be responsible for the analysis of bids, contracts and payments (requested by the technical coordination offices), accounting and financial control of the program. The technical coordination offices will be responsible for evaluating and supervising the projects to be financed. The monitoring and evaluation unit will be responsible for maintaining the database for evaluating achievement of the program objectives and goals defined in the logical framework (Annex III-1) and the business information system.
- 3.8 In the quest for sustainability of the process of rehabilitating the city core, an AçãoCentro executive council will be established in EMURB, composed of 10 representatives from different social groups that are typical of the downtown area, establishing a tie between government, private sector and citizen activities that will contribute to the linkage and coordination of public and private players. The executive council therefore must be up and running within 12 months after the loan contract enters into effect.
- 3.9 The council's functions will include: (i) establishing guidelines for the development of specific projects for the city center and for their execution and maintenance; (ii) evaluating, commenting on and monitoring projects with a functional or social

⁴ The technical unit will have an environmental specialist who will be responsible in EMURB for the functioning of the environmental management system, including the environmental monitoring that will be integrated into the system being developed by the monitoring and evaluation unit.

impact on the city core; and (iii) proposing changes in urban development legislation that affect the downtown area.

- 3.10 EMURB will also be responsible for executing some of the works in the subcomponent to upgrade public spaces and buildings. As well, it will be in charge of the subcomponent to create a mechanism for coordination with the private sector, program publicity and the start-up of the program monitoring system.
- 3.11 Despite the experience it has acquired in more than 30 years of executing works similar to those proposed under the program, in executing the MONUMENTA program (BR-0261) in São Paulo financed by the Bank, and in preparing the present operation, EMURB will contract consultants to assist it in special aspects of program execution.

2. The subexecuting agencies

- 3.12 The following subexecuting agencies will also take part in the program, and their duties as described below will be reflected in the Operating Regulations. Any change to these execution arrangements will require the Bank's prior approval.

a. Municipal Urban Planning Department (SEMPLA)

- 3.13 This department will be responsible for preparing and implementing the urban development legislation proposals planned as part of the component to reverse falling property values and attract residents back to the city core. The department will also be responsible for the strengthening the urban planning system as envisaged in the municipal institution-building component.

b. Municipal Housing Department (SEHAB)

- 3.14 SEHAB will be responsible for executing the Live Downtown project included in the component to reverse falling property values and attract residents to the city core. For some of the activities, it will use the Companhia Metropolitana de Habitação de São Paulo (COHAB) [Municipal Housing Corporation] to bid out and contract works.

c. Municipal Social Welfare Department (SAS), Municipal Department of Development, Labor and Solidarity (SMDTS) and Municipal Urban Security Department (SMSU)

- 3.15 These departments will work together on the subcomponent to regularize informal businesses and assist vulnerable groups that is part of the component for the transformation of the economic profile. The SAS will also be responsible for training social managers under the institutional strengthening component.

d. The Sé Precinct

- 3.16 The Precinct will be responsible for developing and introducing operations and maintenance management tools and for part of the rehabilitation of public spaces, which includes urban equipment and infrastructure and green areas, under the urban environment restoration component.

e. Municipal Administration Department (SGM)

- 3.17 Through the joint company, Anhembi Turismo y Eventos de la Ciudad de São Paulo S.A. (ANHEMBI), the Administration Department will be responsible for establishing a conference center and the city museum in Dom Pedro II Park by rehabilitating the Palace of Industry (currently city hall) and the Casa de las Retortas, included in the subcomponent to upgrade buildings, and for establishing the shopping circuit and reorganizing specialized commercial streets, included in the subcomponent to upgrade public spaces of the component to rehabilitate the urban environment.

f. Department of Urban Infrastructure (SIURB)

- 3.18 Will be in charge of flood control in the component to restore the urban environment and the road works in the Foz del Tamanduateí project, included in the subcomponent on traffic and improved roads in the transportation and circulation component.

g. Municipal Department of Transportation (SMT)

- 3.19 Will be responsible for executing the transportation and circulation component in the Foz del Tamanduateí project mentioned in the preceding paragraph. The Urban Transportation Company of the City of São Paulo (SPTRANS) and the Traffic Engineering Company (CET) will be responsible for bidding out and contracting the works and equipment.

h. Department of Legal Affairs (SNJ)

- 3.20 Will be responsible for the renovation of two buildings belonging to it, as part of the subcomponent on relocating municipal agencies to the downtown core, under the institution-building component.

i. Municipal Department of Green Areas and the Environment (SVMA)

- 3.21 Will be in charge of designing and implementing the municipal environmental management system, the master plan for urban greenery and the environmental education program, all of which are part of the subcomponent on strengthening the urban planning system of the institutional strengthening component.

j. Municipal Department of Culture (SMC)

- 3.22 Will be responsible for the museums projects, rehabilitation of the library and renovation of landmark buildings under the building upgrading subcomponent of the urban environment restoration campaign.

k. Department of Services and Works (SSO)

- 3.23 Will be responsible for the projects in the trash collection subcomponent of the urban environment restoration campaign.

l. Municipal Supply Department (SEMAB)

- 3.24 Will be in charge of restoring the municipal market under the building upgrading subcomponent of the urban environment restoration component.

C. Program regulations

- 3.25 In addition to the loan contract to be entered into by MSP and the Bank, the program will be governed by agreements between EMURB and ANHEMBI, COHAB, CET, and SPTRANS, setting out the responsibilities for executing, operating and maintaining the projects for which they are responsible. Entry into effect of these documents will be a condition precedent to the first disbursement.

1. The Operating Regulations

- 3.26 The program's regulations, composed of General Regulations and Specific Regulations for the Live Downtown, transportation and circulation, regularization of informal businesses, assistance for vulnerable groups, and training for social managers subcomponents, whose entry into force will be a condition precedent to the first disbursement, include a list of specific projects, eligibility criteria for the projects in the multiple-works segment and the environmental management system (SGA).⁵ The main parts of the Regulations are:

a. Program cycle

- 3.27 The program execution cycle includes the following steps. (i) **Promotion:** promotional activities will begin with seminars to launch the program, to which

⁵ The environmental management system (SGA) includes environmental goals, impact indicators and baselines to evaluate the impact of environmental measures on the quality of the city's environment. The program also plans to include environmental issues in the component to strengthen the urban planning system, when they are relevant and serve the strategic interests of the program. For example, preparation of a master plan for urban greenery and an environmental education program will be financed. The program's environmental and social strategy is mainstreamed through the SGA which is included in the program's Operating Regulations, which establish project eligibility criteria, administrative procedures and mechanisms for environmental approval, monitoring and control.

different segments of society affected by it will be invited to hear an explanation of the features of this operation and its operating rules. (ii) **Project approval:** EMURB will be responsible for approving the projects, applying the criteria established in the General and Specific Operating Regulations. For projects involving the provision of public service infrastructure, approval must also be obtained from the administrator of the service. (iii) **Project execution:** prior to tendering works and procuring equipment, the borrower, through the executing agency, will present to the Bank for its nonobjection evidence of compliance with applicable laws in force, as well as evidence that the public hearing process for the affected community is complete. Prior to the start of each work, the executing agencies will be required to present, in the event that the work requires resettlement, a resettlement plan prepared in accordance with Bank policy OP-710; and (iv) **Works inspection and supervision:** will be performed by the contracting party through the use of consultants or specialized firms. The works will be supervised by EMURB, which may contract out the service.

b. Procurement of goods and services

- 3.28 Annex III-2 contains the program's procurement plan.

(i) Goods, works and services

- 3.29 In accordance with Bank policies, international competitive bidding will be used when the estimated amount of the contract is US\$5 million equivalent and over in the case of contracts for works, and US\$350,000 for contracts for goods.

(ii) Consulting services

- 3.30 Consulting services will be selected and contracted in accordance with Bank procedures. International competitive bidding will be used when the estimated cost of contracts for consulting firms is above US\$200,000 equivalent. Price may be used as a selection criterion for consulting firms. When consulting firms are selected on the basis of a combination of best price and best technical proposal, the relative weight of price may not exceed 20 percent and the technical proposal may not be less than 80 percent.
- 3.31 For the social inclusion activities carried out in downtown streets, the SAS will use NGOs, which will be selected from its list of organizations with a social vocation. The list will remain open for the registration of new organizations. The criteria for registration will be made public and the selection mechanism and criteria for NGOs will be included in a contractual clause.
- 3.32 When the program was being prepared, EMURB hired an outside consulting firm to develop the program monitoring system, based on terms of reference agreed upon with the Bank. During program execution, a specialized consulting firm will be hired to take charge of the annual and ex post program evaluations, including

construction of the baseline, based on terms of reference approved by the Bank. Consequently, the costs of these evaluations are included in program financing.

(iii) Limits for ex post reviews

- 3.33 All bidding during the first 12 months after the loan contract enters into effect will be supervised by the Bank ex ante. However, given the number of contracts envisaged, to streamline program execution and facilitate supervision, if the results of the evaluation of this 12-month period demonstrate that there were no problems with the bidding process, an agreement could be reached with the executing agency to the effect that contracts under US\$5 million for works, US\$350,000 for equipment and goods, US\$100,000 for consulting firms and US\$50,000 for individual consultants could be revised ex post, based on a sample.
- 3.34 At the discretion of the Country Office, these limits could be lowered depending on the results of the annual program evaluations.

c. Conditions precedent to the bids for each work

- 3.35 In addition, prior to each bid, the executing agency in charge of the work will present to EMURB for forwarding to the Country Office for its nonobjection, the complete bid documents, including the executive project for the works and other documentation required by the Country Office.

d. Operations and maintenance

- 3.36 Measures acceptable to the Bank will be adopted to ensure that the works and equipment (worth US\$30,000 equivalent or more) financed under the program will be maintained up to generally accepted technical standards. For works and equipment whose ownership, operation or use is the responsibility of the municipality, maintenance will be performed directly by it. Works and equipment whose operation is the responsibility of the companies will be maintained by them under agreements with such companies. If Bank inspections or project reports indicate that operations and maintenance are below the agreed levels, the state or the municipality must take the necessary steps to fully correct the shortcomings.

e. Advance funds, reimbursements of payments and justification of the use of resources

- 3.37 Bank procedures will be followed for advancing funds and reimbursing payments. A revolving fund will be established of up to 5 percent of the prospective loan.
- 3.38 The executing agency will be accountable to the Bank for: (i) establishing and maintaining suitable systems for contract administration, financial and accounting administration and internal auditing for the management of program resources, as established in Clause 7.01 of the General Conditions; (ii) presenting requests and

justifications of expenditures in accordance with Bank requirements; (iii) presenting semiannual reports on the revolving fund described in paragraph 3.42; (iv) preparing and presenting the program's consolidated financial reports and other financial reports required by the Bank; and (v) keeping separate, exclusive bank accounts for the loan proceeds and the local counterpart. Also, the terms of commitment or agreements between the executing and subexecuting agencies will include the obligation of the subexecuting agencies to: (i) answer to the executing agency for the funds received and prepare the financial reports requested; (ii) keep suitable accounting and financial records on the use of program resources; (iii) keep the supporting documentation on contracts and expenditures made from loan proceeds and the local counterpart duly filed and available for examination by the external auditors and/or Bank staff; and (iv) keep separate, exclusive accounts for the loan proceeds and local counterpart.

- 3.39 Given the nature of the program, reviews of the supporting documentation for the disbursement requests will be performed ex post. The executing agency will send the disbursement requests together with the control of disbursements and local contributions and breakdown of payments forms, based on a structure agreed upon with the Country Office.

D. Recognition of expenditures

- 3.40 In accordance with new operations policy OP-504, the recognition of expenses chargeable to the local contribution, and retroactive financing chargeable to the Bank financing, are proposed as exceptions for expenses incurred during the time periods stated below, given the fact that the different stages of this loan were processed while old operations policy OP-504 was in effect. For that reason, the borrower began making expenditures as of the loan application date. The executing agency has incurred expenses in relation to construction contracts, consulting services, and goods bought for the program, in line with the program cost categories. Such expenses chargeable to the local contribution, incurred during the 18 months prior to the date on which the loan is approved, may be as high as US\$8 million; and such expenses chargeable to the Bank financing, incurred during the 12 months prior to the date on which the loan is approved, may be as high as US\$8 million; provided that procedures substantially similar to those in the loan contract were followed. Applying the time periods in the new policy would shorten by six months the period for recognition of expenses chargeable to the local contribution, and by half a month the period for retroactive financing, since this loan was added to the pipeline nearly 12 months, not 18 months, prior to the estimated date on which it was to come before the Committee of the Whole of the Board of Executive Directors.

E. Program monitoring

1. Bank monitoring

- 3.41 Special attention will be paid to compliance with the conditions established in the Operating Regulations for project preparation and execution, and to the project eligibility conditions.

2. Semiannual progress reports

- 3.42 During program execution the borrower, through the executing agency, will present progress reports to the Bank on 15 June and 15 December of each year, beginning in 2004. These reports will describe the actions and activities carried out, outputs and goals achieved, and the main problems encountered and proposed solutions. They will also show the resources used for each subcomponent, comparing the amounts effectively applied to the amounts programmed. The reports must follow the initial format agreed upon in advance with the Bank.

3. Program evaluation

- 3.43 During program execution the borrower, through the executing agency, will present program evaluation reports prepared by an independent external institution to the Bank on 15 December of each year, beginning in 2004. These evaluations will analyze the impact of the program, following a methodology agreed on with the Bank, based on the monitoring reports, the indicators in the logical framework and other instruments agreed on. The main impact indicators to be used in the evaluations are presented below.

- 3.44 To that end, three months after the loan contract comes into effect, the borrower, through the executing agency, will present the baseline to be used in the annual program evaluations to the Bank for approval.

- 3.45 Based on the evaluation reports, three years after the loan contract becomes effective or

Table III-1
Summary of program impact indicators

Objectives	Indicators
Goal To promote economic and social development with diversity in downtown São Paulo.	<ul style="list-style-type: none"> • Increase in economic specialization in service industries downtown \geq the rest of the city by 2006. • Increase in salaries in the downtown area \geq the rest of the city by 2006.
Purpose To attract, promote and maintain formal private-sector activities in the city core.	<ul style="list-style-type: none"> • Increase in the assessed value of the ISS/ITBI/ICMS in the downtown area \geq the rest of the city by 2005.
Components <ol style="list-style-type: none"> 1. Reversal of property devaluation and recovery of the residential function 2. Transformation of the economic and social profile 3. Restoration of the urban environment 4. Transportation and circulation 5. Municipal institutional building 	<ul style="list-style-type: none"> • Increase in the market value of properties \geq the rest of the city by 2005. • Increase in ICMS and ISS revenues by sector \geq the rest of the city by 2005. • Increase in use of public and cultural spaces \geq the rest of the city by 2005. • Increase in user satisfaction by December 2004. • Positive public opinion of the downtown area by July 2004.
\geq : Greater than or equal to	

when 50 percent of the funds have been committed, the Bank will perform a mid-term review of the program.

F. Disbursement and commitment periods

- 3.46 The loan will be disbursed in six years, with five years to commit the resources, both counting from the effective date of the loan contract.

G. External auditing

- 3.47 The executing agency will present the annual financial statements on the program and the executing agency to the Bank, within 120 days after the close of each fiscal year, audited by an independent firm of external auditors in accordance with Bank requirements. In addition, the executing agency will present semiannual reports on the operational and financial auditing of the program to the Bank within 60 days after the close of each six-month period, including a specific report on the examination of the disbursement requests presented to the Bank. The terms of reference for the audits will be approved in advance by the Bank. Expenditures for these audits can come from the loan proceeds.

H. Ex post evaluation

- 3.48 It was agreed with the borrower that an ex post evaluation of the program would be performed. The borrower, through the executing agency, will present an ex post evaluation report on the impact of the program to the Bank within 12 months after the date of the final disbursement of the loan. The information from the annual reports, particularly on the pilot housing project and its results, will be used in the ex post evaluation, which will be conducted using the borrower's resources.

IV. PROGRAM JUSTIFICATION, FEASIBILITY AND RISKS

A. Justification

- 4.1 Composed of a group of social and institutional actions and infrastructure works, the program's impact will be positive looked at from the standpoints of each activity and as a whole. Considering the synergy of the different investments, it could become an urban development model for subnational governments, particularly other large metropolitan areas in Latin America.
- 4.2 The program is justified because reversing the deterioration of downtown São Paulo and eliminating the negative externalities it generates for the entire municipal territory can only be achieved with public leadership. By adopting an intervention strategy that maximizes the net economic benefits, the municipality will execute investments and public actions to address the problems detected and spur private investment in the rehabilitation and development of the downtown area.⁶

B. Program feasibility

- 4.3 The analysis of program feasibility has stressed the following aspects: (i) the feasibility of the operating plan designed for the program; (ii) the spatial macroeconomic feasibility of the program; (iii) the technical and economic feasibility of the sample of projects; (iv) the program's financial feasibility; and (v) its environmental and social feasibility.

1. Operating plan

- 4.4 The feasibility of the program depends on the viability of the institutions and the existence of a legal framework and administrative tools to enable the institutions to fully carry out the actions that will achieve the program's objectives. In selecting the execution scheme for the operation, the municipal government studied several alternative mechanisms, such as the creation of a downtown development agency that would report directly to the mayor, but it selected the alternative of using an existing institution, making the necessary adjustments and strengthening it institutionally to carry out the new activities required for the program, mainly coordination with the other subexecuting agencies and linkage with the private sector to attract investments.

⁶ The strategy, which includes development of the business, cultural and housing sectors to meet demand from all segments of the population, was selected on the basis of the results of an economic evaluation that considers the macro and micro impacts of the activities. The advantages of the chosen alternative stem from the multisector and spatially-focused nature of the actions, making the most of the synergy created by the sector dynamics and investments to be financed by the program.

- 4.5 The selected institution, EMURB, with close to 30 years of experience in executing projects of differing complexities, is well organized and has the necessary systems to coordinate and supervise the different municipal agencies that will subexecute the program.
- 4.6 To ensure the stability and continuity of the municipal policies to guarantee implementation of the strategy over the years, an AçãoCentro executive council will be established in EMURB, composed of representatives of the groups that benefit from renewal of the city core.
- 4.7 Also, contracting a management company will free up time and personnel to carry out the functions of liaison with the private sector and program monitoring and evaluation.

2. General economic impact of the program

- 4.8 The spatial macroeconomic evaluation consists of estimating the accrued economic benefit (increase in GDP in downtown São Paulo) that results from an analysis of the productivity and spatial accessibility of the RMSP and the city core.

TABLE IV-1. SPATIAL MACRO EVALUATION

VARIABLES	SCENARIOS SÃO PAULO 2010									
	BASE VALUE		HOUSING		CULTURE		BUSINESS		INTEGRATED	
	Δ%	Nº	Δ%	Nº	Δ%	Nº	Δ%	Nº	Δ%	Nº
Demographic characteristics										
Houses (thousands)	42.3	66%	70.1	-12%	37.3	-2%	41.6	12%	47.2	
Occupancy rate	2,54	1%	2,56	0%	2,54	0%	2,53	0%	2,54	
Population	107.5	67%	179.4	-12%	94.7	-2%	105.4	12%	120	
Workers (thousands)	48.3	66%	80.3	-12%	42.5	-2%	47.3	12%	53.9	
Income (R\$/month)	1.509	33%	1.009	11%	1.681	24%	1.870	-2%	1.479	
Vacancy rate	32%	30%	22%	-10%	29%	0%	32%	-20%	26%	
Residential area km²	3,5	26%	4,4	-16%	2,9	-2%	3,4	2%	3,6	
Value (US\$ millions)	466	26%	588.3	-16%	389.5	9%	508	26%	587	
Markets and prices										
Employment (thousands)	428.8	5%	451.3	9%	465.5	1%	434.4	7%	460.1	
Wages (R\$/month)	1.584	-1%	1.575	-2%	1.554	1%	1.592	-1%	1.576	
Business area (km²)	9,2	0%	9,2	10%	10,1	20%	11	30%	12	
Value (US\$ millions)	1.390	0%	1.390	10%	1.529	28%	1.785	49%	2.070	
Δ GDP(US\$ million/year)	78.000		27,9		30,8		36,0		42,1	
IRER (%)			4,0		5,7		8,3		14,8	

- 4.9 This evaluation estimates the value of the product of downtown São Paulo associated with maintenance of its advantages of spatial accessibility, compared to other parts of the RMSP. To that end: (i) employment for the RMSP was estimated for 2010, applying a simple model for breaking down economic growth variables of the “Shift&Share” type; (ii) total estimated employment was distributed per zone using the 1997 matrix for origin-destination for the RMSP to obtain an employment vector for 2010; (iii) the matrix for average origin-destination travel times for 1997 was projected to 2010, considering the version of the matrix that was updated with data from the 2002

census and the strategic guidelines for the transportation sector that have an impact on future flows and travel times in the RMSP; (iv) the effective size of the job market was estimated for 2010, associated with the potential for spatial accessibility to downtown São Paulo, defined as the partial sum of the vector for total employment projected for all the zones in which the projected matrix corresponded to an average travel time to downtown São Paulo of up to one hour; and (v) the impact of the effective size of the job market on the product of downtown São Paulo was estimated using product/employment sector elasticities, estimated on the metropolitan scale but relevant for economic activity in downtown São Paulo. Considering the costs of the program, the benefits generate an IRER of 14.8 percent.⁷

3. Technical and economic feasibility of the sample of investment projects

4.10 The sample of program projects, whose features are presented in Table IV-2, in addition to including multiple-works investments, also included projects which, owing to their size and cost, their structural or symbolic nature or their contribution to the basic objectives of the program, were considered specific and are named individually in the Operating Regulations.

Table IV-2

Component/project	Investment	O&M	IRER
1. Reversal property devaluation	US\$1,000	US\$1,000	%
1.1 Dom Pedro Park	20,568	2,297	17.2
1.2 Low-cost rental housing			
1.2.1 Foz Tamanduatei	4,825	125	Pilot
1.2.2 Baronesa bldg.	225	6	Pilot
1.2.3 Riskaya Jorge HRP	1,247	86	-
1.2.4 IRH –Luz	1,675	168	27.2
2. Economic			
2.1 Regularization informal businesses	3,220		CE
2.2 Community security	1,492	149	CE
2.3 Vulnerable groups	2,286	1,321	CE
3. Urban renewal	25,334		
3.1 Upgrade public spaces	12,850	726	CE
3.2 Upgrade buildings	8,644	315	CE
3.4 Flood control	17,303	138	17.5
3.5 Solid waste	1,071	9	CE
4. Transport and circulation			
4.1 Circulation, accessibility	1,787	89	CE
4.2 Public transportation	20,519		28.3
4.3 Improvements in the road system	5,797		28.3

CE = cost efficiency

⁷ This IRER considered the annual incremental GDP associated with the improvements in accessibility to the city center and therefore with the effective size of the job market corresponding to the integrated scenario shown in Table IV-1, as a variable for measuring the general economic benefit of the program. It should be clarified that the measurement is of the program's direct economic benefits, i.e. the impact on property appreciation in the zone of influence of the investments to be financed by the program. Methodological consistency was obtained by using the concept of the zone of influence and the projections for population and employment for the metropolitan area as a whole and for the downtown. Thus, the zone of influence was established in function of: (i) observations of the behavior of the real estate market in the zone; (ii) improvements in road accessibility on the metropolitan scale; and (iii) projection of the expected increase in trips to the downtown area for purposes of work (effective size of the labor market). The expected increase in the occupation of properties for residential and business purposes was calculated in proportion to the projections for employment and population estimated for the metropolitan area and for downtown São Paulo. To avoid problems of double counting of beneficiaries and for the sake of methodological consistency, the IRERs for the program investments were estimated separately, project by project, as is explained in paragraphs 4.11 to 4.14.

a. Technical feasibility

- 4.11 The designs of the sample of projects were reviewed by the project team, which found them to comply with national standards and specifications. The projects were considered technically feasible, present minimum cost solutions, and comply with the legal requirements. The unit costs of materials and labor were defined using indexes estimated on the basis of market prices, and the projects were found to be eligible for financing under the program.

b. Economic feasibility

- 4.12 The microeconomic evaluation used different methodologies for estimating the direct and indirect effects of the appreciation of properties located in downtown São Paulo, resulting from the program's investment projects. The methods used involved measuring the market value of those properties, the beneficiaries' willingness to pay (WTP), the costs avoided by the projects and, in cases where the beneficiaries were difficult to estimate, cost-efficient solutions to problems detected in the city core. An economic evaluation was performed of each project, comparing the costs and the benefits stemming from WTP of the beneficiaries or the rise in property values. The analysis presents positive internal rates of economic return (IRER) of over 12 percent in sectors for which the benefits could be calculated, and cost efficiency as shown in Table IV-2. The analysis of this representative sample also served to establish the eligibility criteria that have been included in the Operating Regulations, to ensure the quality and sustainability of the works and actions to be financed under the rest of the program.

4. Financial and fiscal feasibility

- 4.13 Since 2000, the MSP has suffered major fluctuations in its finances. This reflects the volatility of the country's economy, particularly its exposure to external crises in emerging countries. The economic adjustment made by the country in 2000-2003 had a negative impact on municipal finances, particularly in dollars (the *real* has been devaluated by almost 50 percent), with income falling from US\$4.3 billion in 2000 to US\$3.5 billion in 2003.
- 4.14 However, the São Paulo municipal government made a major fiscal effort, not just by containing growth in current expenditures, particularly personnel costs, but by generating new resources through a sweeping fiscal reform, institutionalization of charges for lighting and trash collection, and implementation of a progressive urban property tax (IPTU).
- 4.15 As part of this adjustment process, the municipality has renegotiated its main debts with the federal government. The renegotiation has reduced the uncertainty of the earlier situation regarding debt service, which has been capped at 13 percent of

income. The municipality has been complying with its commitments thanks to its fiscal effort, despite the unfavorable context in the last two years.

- 4.16 The proposed operation falls within the cap on municipal borrowing established in the debt renegotiation agreement referred to above, as does the debt service. These considerations suggest that the municipality will be in a financial position to comply with its commitment to provide counterpart resources for the program and to cover the debt service, as can be seen in Table IV-3 below.

- 4.17 The program has a positive impact on the municipality's tax revenues, associated with the expected increase in municipal GDP. The anticipated increase in revenues from the IPTU and the services tax (ISS) is US\$13.4 million a year, while the increase in operations and maintenance costs is US\$6.5 million a year.

Table IV-3
Financial information on the municipality of São Paulo and projections
(in US\$ millions)

Category	2000	2002	2003	2005	2010	2015
1. Total income	4,263	3,173	3,512	3,696	4,456	5,613
1.1 Current income	4,234	3,166	3,441	3,667	4,425	5,578
2. Current expenditures	2,928	2,658	2,638	2,699	2,990	3,460
2.1 Personnel and commissions	1,517	1,315	1,318	1,406	1,594	1,874
Primary result	907	189	328	352	581	736
Debt interest (includes IDB)	201	277	353	372	495	636
Debt amortization (includes IDB)	57	56	62	66	86	100
Net credit operations	2	3	26	19	(86)	(100)
Primary results/total income (%)	21.2	6.0	9.3	9.5	13.0	13.1
Debt disbursed	7,890	7,503	6,892	7,022	6,583	6,123

5. Environmental and social feasibility

a. Environmental feasibility

- 4.18 The program seeks to maximize the environmental benefits of the projects by incorporating environmental considerations into their design, operation and monitoring. The impact will be positive for each action and overall, considering the synergy among the different investments. Consistent with the municipality's environmental policy, urban environmental degradation and flooding will be reduced, city cleanliness will improve, there will be more green areas with permeable soil, and less air and visual pollution. The restoration of the urban environment is crucial for improving the quality of life of people who live and work downtown and of users of the city core. The environmental assessment prepared to define the program's environmental and social strategy (ESS), which was made available to the public in São Paulo and at the Bank's Public Information Center on 4 March 2003, contains strategic and programmatic elements that will 'environmentalize' the program as a whole. It also contains specific elements for each project, that define measures to eliminate, mitigate or compensate for their potential negative environmental impacts.

- 4.19 The mitigation of possible negative impact and supervision of compliance with environmental legislation and standards has been included in the program's ESS, taking the sample of projects as the basis. The sample has been assessed environmentally, based on the environmental studies called for in municipal legislation, prepared by the different project design companies that have been licensed by the Municipal Department of Green Areas and the Environment (SVMA). The works and post-works stages could result in disturbances for the beneficiary communities and their surroundings, such as noise, traffic problems, contamination of the local environment, on-the-job accidents and inadequate hauling and final disposal of debris. However, these impacts can be eliminated or mitigated and are classified as small with minor impact by the SVMA. Municipal legislation and the Official Technical Standards provide a response and requisites for each of the situations mentioned.⁸
- 4.20 The environmental assessment verifies that environmental protection measures have been included in the formulation and budget of each project and that Bank policies have been followed, particularly OP-710 on the relocation of families. The environmental assessment that was made available to the public in February 2003 proposes an environmental management system (SGA), which will be implemented jointly by EMURB and the SMVA. By involving and supporting the SVMA with program funds in execution of the SGA, the Bank is strengthening the municipality while simultaneously stipulating an environmental supervision agency that is outside EMURB.

b. Social feasibility

- 4.21 The analysis of the social feasibility of the project took account of the progress and lessons learned in participative decision-making and management processes that have been implemented over the last two years by the São Paulo municipal government. For the design and definition of the program's general structure and its strategy, the municipal government undertook a process of consultations with residents and users of the city center which, among other aspects, identified their main concerns about the city core and their main recommendations on projects for the downtown area. Given the complexity of the program, decisions on specific investments—for example actions for social inclusion such as assistance for street people and regularization of informal businesses—included participative analyses and the refurbishment of community facilities to encourage participation by the beneficiaries in determining the activities of greatest interest to them. For the street vendors, the need to regularize and organize informal business in the downtown

⁸ As examples of this legislation, municipal law No. 13369 (2002) requires all buildings to be connected to the city sewer system; the study on neighborhood impact (RIV), which was not required for the projects in the sample, and the environmental assessment requirements are regulated through Resolution No. 61/CADES/2001. The SVMA has requested environmental viability studies (EVS), which must be made available to the public for 45 days before the works begin, for two of the projects in the program.

streets does not mean they will be expelled from the zone. Apart from the training and occupational guidance to be provided by the program, the street vendors are involved in finding alternatives for relocating their activities without losing income. On the contrary, with support from the program they will be able to increase it.

- 4.22 In addition to these mechanisms for participation, the AçãoCentro executive committee in EMURB, which brings together the different social segments that live and work in the city center, will continue operating as an important channel of communication and coordination for decision making during the program and for monitoring its execution.
- 4.23 Although the project is not classified as a poverty-targeted investment, most of its components and actions will have a positive impact on efforts to reduce poverty and promote greater social equity in the city of São Paulo, and therefore it can be classified as a social equity enhancing project. Specifically, it includes the actions whose objective is to assist the most vulnerable groups in the downtown streets, such as children and teens, women with children and senior citizens, described in paragraph 2.4 (c).

C. Gender issues

- 4.24 The social inclusion activities described in the Specific Operating Regulations for the population that lives in the streets place particular emphasis on assistance for women and children. The services, whose quality will be improved and whose capacity will be expanded, are targeted to vulnerable groups living in the streets, the vast majority of whom are women, children and the elderly. Shelters and youth centers will be better equipped—in terms of material and human resources—to assist these groups in meeting their needs in an integrated and integral manner. The proposed methodology of bringing the elderly and youths together in the same space for social coexistence will integrate these groups in their different needs, complementing them. Training will boost their earning capacity. Assistance for children and teens is an excellent chance to break the vicious circle of poverty, providing them with the protection and social capital they need to find job opportunities and options off the streets, reducing their exposure to social risk in the streets, such as drug addiction and child prostitution.

D. Benefits and risks

1. Benefits

- 4.25 The main benefit of the program is the economic and social development of downtown São Paulo, by attracting, promoting and maintaining economic activities that are compatible with a rehabilitated city core, which will translate into an increase in the city's GDP and in the size of its effective job market.

- 4.26 The social benefit of the program will be its capacity to promote and increase social inclusion in downtown São Paulo. The program will benefit groups that are traditionally forgotten or excluded from urban development processes in general. It will provide alternative solutions for street vendors and for families and street people (particularly mothers and their children, children and teens at risk, etc.) and will provide consistency and coherence for the services that the municipality is currently providing for these groups. As a complement, from the institutional standpoint the program will consolidate the participative decision-making model that the municipal government is already using, consolidating its main achievements, particularly the capacity to mobilize social capital to address the city's main problems.
- 4.27 On that basis, when the project was being prepared, the methodologies for social participation and consensus building were revised so that they could be used in preparing the actions to be taken by the different institutions involved in the program, thereby ensuring the technical quality of the process.

2. Risks

- 4.28 Achieving the program's goals depends on the sustainability of the process of urban renewal. This risk will be reduced through extensive participation by the different groups that are representative of users of the downtown core, building consensus and a sense of ownership. To that end, an AçãoCentro executive council will be established in EMURB, composed of 10 representatives from those groups, establishing a tie between the government and the citizenry, that will help to unite and coordinate public and private stakeholders.
- 4.29 There is another institutional risk linked to EMURB's capacity to coordinate with the other subexecuting agencies and with private investors who will bear final responsibility for ensuring that the benefits materialize. The keys to mitigating this risk are EMURB's experience in executing projects of this kind, establishment of the executive council, strengthening of EMURB to act as coordinator, the Operating Regulations and the accompanying legal instruments.
- 4.30 As mentioned earlier, some of the key activities included in the program will be financed exclusively from the local counterpart. Although the MSP enjoys a solid financial situation, in the event of difficulties with the timely availability of the counterpart, the actions that are not financed from the prospective loan will be given priority.
- 4.31 Last, one basic component for the success of the program is the change in municipal legislation applicable to the downtown area through the master plans to be financed for the Sé and Mooca Precincts, which will be submitted to the MSP's deliberating council. Since the government party has the majority on the council and there is intensive citizen participation in program decisions by all social groups,

the risk that the new legislation will not be approved is very low, as demonstrated by the fact that tax legislation for the downtown area was passed (law on selective incentives) that was also part of the basic support package to achieve the program's objectives.

SÃO PAULO DOWNTOWN RENEWAL PROGRAM (PROCENTRO)

LOGICAL FRAMEWORK

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
END To promote social and economic development with diversity in downtown São Paulo	<ul style="list-style-type: none"> • Δ^1 economic specialization in services industries in the downtown area the same or greater than in the rest of the city, starting in 2006. • Δ the size of the effective labor market in the downtown area of 0.5% by the end of the program (< than 60 minutes travel to the city center). • Δ salaries generated in the city center \geq than in the rest of the city, starting in 2006. 	<ul style="list-style-type: none"> • RAIS • SEADE • CENSUS 	The economy of the RMSP performs similarly to the country's economy.
PURPOSE Spur development and create conditions that will attract and support activities compatible with the metropolitan downtown area, fostering urban renewal, environmental remediation, and social mainstreaming.	<ul style="list-style-type: none"> • Δ the assessed value of the ISS/TTBI/ICMS in the downtown area the same or greater than in the rest of the city starting in the second year of the program. • Δ electricity consumption in the downtown area the same or greater than in the rest of the city by type of consumer (residential, commercial, etc.), starting in the second year of the program. 	<ul style="list-style-type: none"> • SF property roll • Eletropaulo records 	The economy of the RMSP performs similarly to the country's economy. City council approves changes in urban development legislation.
COMPONENTS	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
1. Reversal of the fall in property values and recovery of the residential function	<ul style="list-style-type: none"> • Δ the market value of residential and nonresidential properties greater or the same as in the rest of the city, starting in the second year of the program. • Reduction in vacancy rates in residential buildings greater or the same as in the rest of the municipality, starting in the second year of the program. • Δ 10% of the area approved for the construction and rehabilitation of residential buildings, compared to the baseline, starting in the second year of the program. 	<ul style="list-style-type: none"> • Study on rent in the downtown area • Sample survey to determine the number of vacant buildings • SEHAB/APRÓV report. 	Approval of the regional master plans for the Sé and Mooca Precincts.
1.1 Preparation of proposals for urban development legislation <ul style="list-style-type: none"> • Special urban development studies: Diagonal-South-Part 1 • Study on current dynamics and urban development legislation • Regional master plan for the Sé Precinct, regional master plan for the Mooca Precinct 	<ul style="list-style-type: none"> • Presentation of the master plan for the Sé Precinct to the city council by December 2003. • Presentation of the master plan for the Mooca Precinct to city council by December 2003. • Special studies on the Diagonal-South completed by December 2003. 	<ul style="list-style-type: none"> • Project monitoring report • Official Municipal Gazette 	Fiscal resources are available in advance to finance the master plans
1.2 Urban development activities <ul style="list-style-type: none"> • Key projects <ul style="list-style-type: none"> ◦ Old city core/New city core ◦ Diagonal South – Parque Urbano (strict zoning) ◦ Project Luz • Study of the building rehabilitation and promotion zone 	<ul style="list-style-type: none"> • Historical route established by December 2004. • Dom Pedro Park rehabilitated by June 2004. • “Global Project” competition held by June 2004. • Study on rehabilitation zones and real estate promotion performed by June 2004. 	<ul style="list-style-type: none"> • Program monitoring reports 	Financing available by December 2003.
1.3 Morar no Centro [Live Downtown]: <ul style="list-style-type: none"> • Production of low rent units • Preparation of management models for low rent housing • Housing rental program (HRP) • Temporary housing • Incentive program for pioneer families • Technical support for building rehabilitation (São Vito) 	<ul style="list-style-type: none"> • PRIH in Luz completed by December 2005. • PRIH in Glicério and Braz completed by December 2006. • 519 low rent units ready by December 2004. • 410 low rent units ready in 2005. • 671 low rent units ready from 2006 to 2008. • 6 buildings in the HRP program by December 2004. • 4 buildings in the HRP program by December 2005. 	<ul style="list-style-type: none"> • Program monitoring reports 	

¹ Δ = change in

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<ul style="list-style-type: none"> Integrated rehabilitation zones (IRZ) Studies necessary for the actions 	<ul style="list-style-type: none"> 450 units for temporary housing in 2003. 450 units for temporary housing in 2004. 450 units for temporary housing in 2005. São Vito building rehabilitated by December 2005. Models for low rent housing management completed by December 2004. Incentives for up to 1,000 middle-class families granted by December 2005. 		
2. Transformation of the economic and social profile of the city core	<ul style="list-style-type: none"> Δ ICMS and ISS revenues by sector greater or the same as the rest of the city, starting in the second year of the program. 	<ul style="list-style-type: none"> SF property rolls State department of finance property rolls RAIS PNAD 	The economy of the RMSP performs similarly to the country's economy. Continuity of the actions of the task force to prevent illegal activities in the city center. Liaison with the military police.
2.1 Creation of a mechanism for liaison with the private sector in EMURB <ul style="list-style-type: none"> Creation of the Downtown Development Agency. Establishment of a business information system Hiring of specialized staff 	<ul style="list-style-type: none"> Downtown Development Agency operating by December 2003. Increase of 30% in business operating licenses compared to 2000 by the fifth year of the project. EMURB's business information system operating by March 2004. 12 experts hired by December 2003. 	<ul style="list-style-type: none"> Program monitoring reports SF reports 	Financing available by December 2003.
2.2 Program publicity	<ul style="list-style-type: none"> Informing the public about progress in the program and results, starting in July 2004 	<ul style="list-style-type: none"> Opinion poll 	
2.3 Regulation, regularization and reorientation of informal business <ul style="list-style-type: none"> Operation work Opportunity for solidarity Relocation subsidies "São Paulo Includes" Occupational training Kiosks 	<ul style="list-style-type: none"> Withdrawal of 2,600 vendors from the streets by December 2004. 1,460 kiosks operating by December 2004. Assistance for 2,600 street vendors by the Workers' Reference Center by December 2004. Agency for training and support to incubate individual undertakings operating during 2004. Technical advisory services for undertakings and individuals operating during 2004. 800 subsidies (entrepreneurs) granted by December 2004. 	<ul style="list-style-type: none"> Program monitoring report 	
2.4 Downtown security <ul style="list-style-type: none"> Civil guard community posts (8) Patrolling of public space by the civil guard to prevent informal business Communications campaign International exchanges Study on victimization 	<ul style="list-style-type: none"> Positive public opinion regarding security starting in July 2004. 8 community posts established by December 2003. 2 communications campaigns carried out by July 2004. 30 civil guards on international exchanges by December 2003. 2 studies on victimization conducted by December 2004. 300 metropolitan civil guards patrolling public spaces for preventive purposes starting in July 2003. 	<ul style="list-style-type: none"> Program monitoring report 	
2.5 Building social inclusion in the downtown streets <ul style="list-style-type: none"> Situation studies Social presence in the streets with support bases Social use of unoccupied municipal properties: Boracéia Office, Rua Prates Youth Center, and Rua dos Italianos Child and Adolescent Assistance Center 	<ul style="list-style-type: none"> Survey of the number of street people in 26 precincts in the city of São Paulo conducted by December 2003. Census of street children and teens for the entire city of São Paulo conducted by December 2004. Evaluation of the effectiveness of the social safety net in the city center and demand for assistance performed by July 2004. 	<ul style="list-style-type: none"> Program monitoring report Sample surveys Census of street children and teens 	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<ul style="list-style-type: none"> Strengthening of the social safety net Expansion of services network in the downtown core: treatment centers, Citizen Station and getting people out of shelters 	<ul style="list-style-type: none"> Study of users (children, teens and adults) of shelters and temporary housing performed by July 2004. Study on people turned away from shelters conducted by July 2004. 5 external audits of the results by December 2007. 5 seminars and workshops on the situation in the city center and policies to assist vulnerable groups held by December 2006. 74 community-based response workers by December 2003, assisting 200 people/day. Boracéia office project completed by December 2003, assisting 1,000 people/day. Rua Prates Youth Center operating by December 2004 assisting 1,000 vulnerable youths/month. The Rua dos Italianos Child and Adolescent Assistance Center established by December 2004 and assisting 400 vulnerable children and teens/month. Strengthened social safety net operating by December 2004 assisting 5,000 people/day. Rehabilitation of the Canindé shelters by July 2005 to assist 700 people/month. Program to get children out of shelters operating by July 2004 assisting 30 children and teens/month. Citizen Station operating by June 2004, assisting 300 children and teens/month. 3 treatment centers opened by June 2004 assisting 24 people/month. 		
3. Restoration of the urban environment	<ul style="list-style-type: none"> Positive public opinion of the urban environment starting in July 2004. Δ use of public and cultural spaces the same or greater than in the rest of the city. 	<ul style="list-style-type: none"> Opinion poll Program monitoring reports 	<ul style="list-style-type: none"> Financing available by December 2003.
3.1. Operating and maintenance management ⊖ Institutional strengthening of the Sé Precinct	<ul style="list-style-type: none"> Reform of the precinct building by the second half of 2004. Procurement of equipment and vehicles by the second half of 2004. Instruments to manage the operation and maintenance of urban equipment implemented by the second half of 2004. 	Program monitoring reports	
3.2 Rehabilitation of public space 1st group of works: Praça da Liberdade, Lgo do Paissandu and Boulevard São João, Pça República (Coreto), Canteiro Central R. Prates/João Teodoro, repaving the clockwise route, Pça República (pumps), repaving R. Tabatinguera and others, viaduct Cons. Furtado and others, Ladeira da Memória, public walkways central area, Viad. 9 de Julho, repaving R. Glória, Viad. Boa Vista, Viad. Martinho Prado, Senador Queiroz, Centro Velho, Pça República (housing), Pça da Sé, Pça Júlio de Mesquita, Pça Roosevelt 2nd group of works: east-west linkage, Banheiro Anhangabaú, Banheiro República, Community Bases, Pça Pérola Byington, Pça Roosevelt, Av. do Estado, revitalization of the road network, Vila Economizadora Projeto Galeria, Vila Economizadora Obra Galeria, Vila Economizadora (revitalization of the square), repaving Rio Branco / Rudge, municipal street and property maintenance and cleaning <ul style="list-style-type: none"> Redevelopment of squares: República, Sé, Roosevelt Pilot project Novo Calçadão Commercial streets: Av. Cásper Líbero, Sta Ifigênia, Rua São Caetano, 25 de Março and surroundings Management of commercial streets 	<ul style="list-style-type: none"> Works in group 1 concluded by December 2003. Works in group 2 concluded by December 2007. Redevelopment of Praça da Sé by June 2004. Redevelopment of Praça da República by June 2004. Redevelopment of Praça Roosevelt by December 2005. Commercial streets: Av. Cásper Líbero, Sta Ifigênia, Rua São Caetano and 25 de Março and surroundings concluded by March 2005. Management of commercial streets in operation by June 2005. Shopping circuit in place by June 2004. City of São Paulo store in operation by June 2005. Lighting, pedestrian mall redesign and better access by June 2005. 	Program monitoring reports	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<ul style="list-style-type: none"> • Shopping circuit • City of São Paulo store • Lighting 			
3.3 Rehabilitation of buildings <ul style="list-style-type: none"> ○ Palace of Industry Conference center ○ Casa das Retortas ○ Mario de Andrade library ○ Martinelli building ○ Municipal Theater ○ Municipal Theater Museum ○ Revitalization Galeria Formosa ○ Solar Marquesa/nº1/Beco Pinto ○ Municipal Market and pedestrian bridge 	<ul style="list-style-type: none"> • Palace of Industry conference center concluded by December 2004. • Work on Casa das Retortas completed by December 2005. • Reform of the Mario de Andrade library completed by December 2005. • Reform of the Martinelli building completed by June 2005. • Reform of the municipal market completed by December 2004. • Restoration of the façade of the Municipal Theater completed by June 2005. • Municipal Theater Museum established by December 2005. • Restoration of Solar Marquesa/nº1/Beco Pinto concluded by December 2005. • Revitalization of Galeria Formosa completed by December 2005. 	Program monitoring reports	
3.4 Flood control <ul style="list-style-type: none"> • Flood detention pond Praça da Bandeira • Flood detention pond Praça 14 Bis, Galeria 9 Julho, Moranguinho 	<ul style="list-style-type: none"> • Flood detention pond Praça da Bandeira in place and creeks and associated drainage rehabilitated by December 2005. • Flood detention pond Praça 14 Bis, Galeria 9 de Julho, Moranguinho by June 2005. 	Program monitoring reports	
3.5 Trash recycling <ul style="list-style-type: none"> ○ Urban cleaning ○ Sorting center ○ Debris management ○ Clean outdoor markets 	<ul style="list-style-type: none"> • 8 ecopoints in operation by December 2004. • 30 positions/year for each of the five offices in the training program for sorters, starting in December 2003. • Sorting center in operation by December 2003. • Recycling unit in operation by December 2003. • Actions to implement the clean outdoor market program executed by December 2004. 		
4. Improvement In Traffic Circulation	<ul style="list-style-type: none"> • Changes in user satisfaction, starting in December 2004. 	<ul style="list-style-type: none"> • SPTRANS/CET • Opinion poll (SPTRANS) 	<ul style="list-style-type: none"> • Service management model approved by city council. Timetable for the urban renewal component complied with.
4.1 Institution building <ul style="list-style-type: none"> • Consolidation of the planning database of the public transport information system (SITP) • Training for agents • Design of operations management of the regulatory agencies 	<ul style="list-style-type: none"> • Studies and research for the implementation and consolidation of the database for traffic planning and the service management model completed by December 2005. • Training plan concluded by December 2004. 	Project monitoring reports	Financing available by December 2003.
4.2 Traffic and accessibility <ul style="list-style-type: none"> • Upgrading roads, micro-accessibility and pedestrian circulation • Rehabilitation of sidewalks • Installation of signage (signs, equipment and furnishings). 	<ul style="list-style-type: none"> • Upgrading accessibility over 10.1 km in stages and areas defined by the project by December 2004 • Installation of horizontal signage on 10.1 km of roads completed by December 2004. • Installation of vertical signage (signs) on 10.1 km of roads completed by December 2004. • Relocation of equipment and furniture on 10.1 km of roads completed by December 2004. • Change in service level from “D” to “C” for pedestrians on at least 50% of the critical points in the area, by January 2005. 	Project monitoring reports Studies CET	<ul style="list-style-type: none"> • Implementation of the commercial streets program. • Organization of informal business under way. • Pedestrian demand is maintained.

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
<p>4.3 Public transportation</p> <ul style="list-style-type: none"> Roads Phase 1: Final clockwise route (5.3km) (section 1 - Av. Sen. Quierós / Bandeira Term.; section 2 - Bandeira Term./Av. Mercúrio) Temporary counterclockwise route (12.29km): NW - Av. Tiradentes / Amaral Gurgel Term.; SW - Amaral Gurgel Term. / Pça. Roosevelt; E/W – Pça. Roosevelt / Parque Dom Pedro II; NE – Linkage Pari – East Radial/ R. João Teodoro Final counterclockwise routes (6.5km): E – East Radial/Parque D. Pedro II; N – Binário: J. Teodoro / S. Caetano; Connection clockwise/counterclockwise routes - (2.5km): around Dom Pedro Park Access routes (11.88km): NE-Pte. Vila Guilherme/Av. Carlos de Campos; SW-Av. Paulista/Pç. Roosevelt; S Ligação Cambuci; N–Binário C. do Sul / Av. Estado; and SE–Corr. Paes de Barros / East Radial Phase 2: Final counterclockwise route (5.9km): S- east/west linkage; NE linkage Pari/east radial/João Teodoro; Road links (3.14km): Av Estado/ Pres Wilson; Access roads (4.64km): support for Marginal Tietê. Bandeira terminal Transfer stations Equipment and station monitoring by SITP. 	<ul style="list-style-type: none"> Road operations – phase 1, completed by December 2004. Increase in average speed of public transport of 12% on the improved sections during the morning rush hour starting in December 2004 compared to current speeds. Monitoring of road infrastructure activities – phase 2 completed by December 2004. Bandeira terminal completed by December 2004. 33 transfer stations operating by December 2004. Number of systems of control equipment in three terminals completed by December 2004. 	<p>Project monitoring reports</p> <p>Operating data from SPTRANS and CET</p>	<ul style="list-style-type: none"> Database for planning consolidated. Introduction of the new structure and line programming of SITP. Alignment of procurement – busses. Demand for public transportation maintained. CET operations compatible with the road infrastructure. Signature of concession contracts. Stage two of BNDES [Brazilian Development Bank] financing obtained.
<p>4.4 Traffic operation</p> <ul style="list-style-type: none"> Application of a strategy for traffic operation, control and monitoring – integrated CET system Design of pilot system for traffic management and control Road works in the Favela do Gato area 	<ul style="list-style-type: none"> Installation of traffic lights by December 2004, totaling: <ul style="list-style-type: none"> 850 groups of lights for vehicles 850 groups of lights for pedestrians Installation of equipment at crossings in 55 locations by December 2004, totaling: <ul style="list-style-type: none"> 12 CFTV systems installed Equipment provided at 33 transfer stations Installation of 1 strategic monitoring unit by December 2004. 144 sets of electronic equipment and vehicles used in traffic control operations by December 2004. Road works in the Favela do Gato area by December 2005. 	<p>Project monitoring reports</p> <p>CET data</p> <p>SPTRANS data</p>	

OBJECTIVES	INDICATORS	MEANS OF VERIFICATION	ASSUMPTIONS
5. Institution building for the municipality	Positive public opinion of the downtown area in July 2004, July 2005, July 2006, July 2007 and July 2008.	<ul style="list-style-type: none"> Opinion polls 	Financing available by December 2003.
5.1 Strengthening of the municipal urban planning system <ul style="list-style-type: none"> Consulting services for the urban operation of the South Diagonal (SEMPA) Strengthening in geoprocessing for DEINFO Mapping of urban infrastructure Environmental projects Environmental management system Master plan for urban green spaces Environmental education Institutional strengthening for SAS (Vectors F, G and H) Construction of the SAS/PMSP in the central region System for monitoring social exclusion, social risks and protection of social minimums (SIVIMAS) Training for social managers INDES Promotion of communications and social control over the social safety net 	<ul style="list-style-type: none"> Recommendations of the studies for the South Diagonal implemented by December 2004. Positive public opinion on the downtown area, measured every 12 months after signing the contract. Restructuring of the regional supervision by Sé (SAS) by December 2003. Improvement of the SAS downtown office by March 2004. Introduction of the information system master plan (SAS) by December 2004. SIVIMAS implemented by December 2004. Training course for social managers (INDES): five courses offered by December 2003 for 180 managers, 3 seminars by December 2003 for 150 participants, 15 basic courses by December 2004 for 540 managers and 7 seminars by December 2004 for 350 participants. Social Assistance Office opened by December 2004 to assist 1,000 people/month. Call center introduced by July 2004 to assist 50 people/day. SAS social communications plan in operation by July 2004. Environmental management system introduced by June 2004. Master plan for urban green spaces prepared by June 2004. Environmental education activities implemented by June 2004. 	Project monitoring reports <ul style="list-style-type: none"> Course evaluation reports 	
5.2 . Support for relocating municipal agencies to the downtown area <ul style="list-style-type: none"> PGM Legal Studies Center (CEJUR) PMSP Heritage Department (PATR/JUD) 	<ul style="list-style-type: none"> Restoration of the CEJUR building, access for the disabled, and maintenance performed by December 2004. Rehabilitation of the PATR building by June 2005. Purchase and installation of computer equipment for the Judicial/Heritage Department of the PMSP by June 2005. 	Project monitoring reports	

TIMETABLE FOR LOCAL AND INTERNATIONAL BIDS
DOWNTOWN RENEWAL PROGRAM

COMPONENT	TYPE	Number of bids	VALUE US		TOTAL US	2003		2004		2005	
			LOCAL	INTERNATIONAL		1º sem	2º sem	1º sem	2º sem	1º sem	2º sem
I. REVERSAL OF THE FALL IN PROPERTY VALUES AND RECOVERY OF THE RESIDENTIAL FUNCTION											
Favela do Gato, Foz do Tamanduatei (Morar no Centro)	Complete works with materials and equipment	1	4,824,871.43		4,824,871.43						
Residential building at the Belém metro station	Complete works with materials and equipment	1	1,200,000.00		1,200,000.00						
Management of the PRIH	Services	1	3,320,825.70		3,320,825.70						
Renovation of the Vito building	Complete works with materials and equipment	1	1,428,571.40		1,428,571.40						
Low-cost rentals Olarias Residential Building SEMAB	Complete works with materials and equipment	1	1,349,645.71		1,349,645.71						
Low-cost rentals - urban locations	Complete works with materials and equipment	4	6,225,842.86		6,225,842.86						
Urban development	Complete works with materials and equipment	2	2,829,773.57		2,829,773.57						
TOTAL FOR THE COMPONENT			21,179,530.67	0.00	21,179,530.67						
II. TRANSFORMATION OF THE ECONOMIC AND SOCIAL PROFILE											
Social assistance centers	Works and equipment	15	8,642,857.14		8,642,857.14						
Program publicity campaign	Services	1	1,428,032.20		1,428,032.20						
Training - social safety net	Services	1	1,028,571.43		1,028,571.43						
Renovation of the Prates building	Complete works with materials and equipment	1	1,142,857.14		1,142,857.14						
Regularization of informal business and public security	Services and consulting	7	1,237,995.52		1,237,995.52						
Assistance for vulnerable groups - Vector A and Vector B	Services and consulting	6	771,427.99		771,427.99						
Assistance for vulnerable groups - Vector C, Vector E and Vector H	Complete works with materials and equipment	4	1,442,857.14		1,442,857.14						
TOTAL FOR THE COMPONENT			15,694,598.56	0.00	15,694,598.56						
III. RESTORATION OF THE URBAN ENVIRONMENT											
Reservoir for Praça 14 Bis and reinforcement of the Moringuinho tunnel	Complete works with materials and equipment	1		13,788,111.00	13,788,111.00						
Reservoir at Praça da Bandeira and linkage of channels	Complete works with materials and equipment	1		8,478,917.00	8,478,917.00						
Modernization and reform of the Mario de Andrade Library	Complete works with materials and equipment	1		5,069,186.00	5,069,186.00						
Modernization and reform of the precinct building	Complete works with materials and equipment	1	3,264,546.00		3,264,546.00						
Restoration of the Palace of Industry	Complete work with materials	1	1,790,000.00		1,790,000.00						
Footbridge over the Tamanduatei river joining the market to the Palace of Industry	Complete work with materials	1	1,714,285.70		1,714,285.70						
Rehabilitation of Plaza Roosevelt	Complete work with materials	1	1,142,857.00		1,142,857.00						
Restoration of the Martinelli Building	Complete work with materials	1	2,285,714.20		2,285,714.20						
Redevelopment in the region of Calle 25 de Março	Complete work with materials	1	1,100,000.00		1,100,000.00						
Rehabilitation of public spaces - Sé precinct	Complete works with materials and equipment	1	2,622,772.71		2,622,772.71						
Rehabilitation of public spaces - shopping circuit	Works and equipment	2	243,714.18		243,714.18						
Rehabilitation of public spaces -- commercial streets and pedestrian malls	Complete works with materials and equipment	1	4,070,871.41		4,070,871.41						
Lighting	Complete works with materials and equipment	1	3,083,642.55		3,083,642.55						
Rehabilitation of buildings	Complete works with materials and equipment	6	6,269,285.63		6,269,285.63						
Mario de Andrade Library - institutional strengthening	Procurement of equipment	1	903,987.14		903,987.14						
Recyclable solid waste	Services	1	1,558,305.13		1,558,305.13						
Operations and maintenance management - Sé precinct	Services and equipment	1	2,077,296.00		2,077,296.00						
TOTAL FOR THE COMPONENT			32,127,277.65	27,336,214.00	59,463,491.65						

V. INSTITUTIONAL STRENGTHENING FOR THE MUNICIPALITY									
Institutional strengthening - relocating municipal agencies downtown	Services, complete works with materials and equipment	4	7,674,005.80		7,674,005.80				
TOTAL FOR THE COMPONENT			7,674,005.80	0.00	7,674,005.80				

BIDS	TOTAL
LOCAL	70
INTERNATIONAL	7